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transactions were performed by the third-party importer of the goods. Management expects to receive the decision of the Taxpayers Council sometime in 2008. In the event the Company receives an adverse ruling from the administrative body, the Company will decide whether or not to appeal to the judicial level. Based on the Company's current understanding of the underlying facts, the Company believes that it is probable that its Brazilian subsidiary will be required to pay some amount of fines. At July 31, 2007, the Company has accrued 4.7 million Brazilian reais (approximately $2.5 million), excluding interest, which it believes is the probable payment.

On July 12, 2007, the Company was notified of a first administrative level decision rendered in the São Paulo tax assessment, which maintained the total fine of 20.2 million Brazilian reais (approximately $10.8 million) imposed. On August 10, 2007, the Company appealed the first administrative level decision to the Taxpayers Council. Based on the Company's current understanding of the underlying facts, the Company believes that it is probable that its Brazilian subsidiary will be required to pay some amount of fines. Accordingly, at July 31, 2007, the Company has accrued 20.2 million Brazilian reais (approximately $10.8 million), excluding interest.

On December 11, 2006, the Company received a civil investigative demand from the U.S. Department of Justice ("DOJ") regarding an investigation into its acquisition of Lipman which requests certain documents and other information, principally with respect to the companies' integration plans and communications prior to the completion of this acquisition. The Company is producing documents and certain current and former employees have provided information to a representative of the DOJ in response to this request. The Company is not aware of any violations in connection with the matters that are the subject of the investigation but cannot predict what actions, if any, will result from this investigation.

Note 9. Comprehensive Income (Loss)

The components of comprehensive income (loss) were as follows (in thousands):

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2007 (Restated)	2006	2007 (Restated)	2006
Net income (loss)	$ (42,386)	$ 16,755	$ (52,883)	$ 45,585
Foreign currency translation adjustments, net of tax	3,345	(110)	13,608	208
Unrecognized gain (loss) on interest rate hedges, net of tax	4	(35)	(18)	17
Unrealized gain (loss) on marketable securities, net of tax	—	1	(1)	2
Comprehensive income (loss)	$ (39,037)	$ 16,611	$ (39,294)	$ 45,812

The components of accumulated other comprehensive income consisted of the following (in thousands):

	July 31, 2007 (Restated)	October 31, 2006
Foreign currency translation adjustments, net of tax of $3,395 and $1,068	$ 14,611	$ 1,003
Unrecognized loss on interest rate hedges, net of tax of $42 and $29	(64)	(46)
Unrealized gain on marketable securities, net of tax of zero and $1	—	1
Accumulated other comprehensive income	$ 14,547	$ 958

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 10. Stockholders' Equity

Common and Preferred Stock

The Company has authorized 100,000,000 shares of Common Stock, par value $0.01 per share, and 10,000,000 shares of Preferred Stock, par value $0.01 per share. The board of directors has the authority to issue the undesignated Preferred Stock in one or more series and to fix the rights, preferences, privileges, and restrictions thereof. The holder of each share of Common Stock has the right to one vote. As of July 31, 2007 and October 31, 2006, there were no shares of Preferred Stock outstanding and there were 83,315,613 and 68,148,245 shares of Common Stock outstanding, respectively.

On November 1, 2006, the Company completed its acquisition of Lipman. As part of the acquisition consideration, the Company issued 13,462,474 shares of its common stock. See Note 4 of Notes to Condensed Consolidated Financial Statements for additional information.

Restricted Common Stock

The Company had a right to repurchase shares of Common Stock sold to the Company's Chief Executive Officer (the "CEO") at the original sale price, $0.0333 per share, in the event the CEO ceased to be employed by the Company or any of its subsidiaries. This right lapsed at a rate of 20% of the original 3,910,428 shares per year. Upon the sale of the Company, any remaining unvested shares would become vested. At July 31, 2007, no shares of Common Stock issued to the CEO remained subject to this repurchase right which lapsed in July 2007.

The Company has a right to repurchase shares of Common Stock sold to certain executives of the Company pursuant to the Company's 2002 Securities Purchase Plan at the lesser of the original sale price, $0.0333 per share, or the fair value on the date of separation in the event that the executive ceases to be employed by the Company or any of its subsidiaries. This right lapses at a rate of 20% of the original 1,929,145 shares per year. Upon the sale of the Company, all remaining unvested shares will become vested. At July 31, 2007, 20,856 shares of Common Stock remained subject to this repurchase right which will lapse in October 2007.

Stock Option Plans

As of July 31, 2007, the Company had a total of 9,336,148 stock options outstanding with a weighted average exercise price of $26.23 per share. The number of shares that remained available for future grants was 1,746,701 as of July 31, 2007. The following table provides a summary of options outstanding and exercisable under the various option plans for the period ended July 31, 2007:

	Shares Under Option (Restated)
Balance at November 1, 2006	5,406,108
Assumed in Lipman acquisition	3,375,527
Granted	3,169,205
Exercised	(1,686,220)
Cancelled	(928,472)
Balance at July 31, 2007	9,336,148
Vested or expected to vest at July 31, 2007	8,575,419
Exercisable at July 31, 2007	1,842,257

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

New Founders' Stock Option Plan

On April 30, 2003, the Company adopted the New Founders' Stock Option Plan (the "New Founders' Plan") for executives and employees of the Company. A total of 1,500,000 shares of the Company's Common Stock were reserved for issuance under the New Founders' Plan. The Company will no longer grant options under the New Founders' Plan and will retire any options cancelled hereafter. Option awards under the New Founders' Plan were generally granted with an exercise price equal to the market price of the Company's stock on the date of grant. Those option awards generally vest in equal annual amounts over a period of five years from the date of grant and have a maximum term of 10 years.

The following table summarizes option activity under the New Founders' Plan during the nine months ended July 31, 2007:

	Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Thousands)
Balance at November 1, 2006	898,062	$ 4.22		
Exercised	(322,082)	4.04		
Cancelled	(11,740)	7.33		
Balance at July 31, 2007	564,240	$ 4.26	6.77	$ 18,138
Vested or expected to vest at July 31, 2007	531,594	$ 4.21	6.75	$ 17,117
Exercisable at July 31, 2007	259,090	$ 3.62	6.46	$ 8,496

The options expected to vest are the result of applying the pre-vesting forfeiture rate assumptions to total outstanding options. The option balance at July 31, 2007 excludes 20,856 options which were exercised but not vested. The total intrinsic value of options exercised during the nine months ended July 31, 2007 was $10.4 million.

As of July 31, 2007, pursuant to SFAS No. 123(R), there was $727,867 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the New Founders' Plan. The cost is expected to be recognized over a remaining weighted average period of 2.0 years. The total fair value of shares vested during the nine months ended July 31, 2007 was $332,000.

Outside Directors' Stock Option Plan

In January 2005, the Company adopted the Outside Directors' Stock Option Plan (the "Directors' Plan") for members of the Board of Directors of the Company who are not employees of the Company or representatives of major stockholders of the Company. A total of 225,000 shares of the Company's Common Stock had been reserved for issuance under the Directors' Plan. The Company will no longer grant options under the Directors' Plan and will retire any options cancelled hereafter. Option grants for members of the Board of Directors of the Company who are not employees of the Company or representatives of major stockholders of the Company will be covered under the 2006 Equity Incentive Plan.

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes option activity under the Directors' Plan during the nine months ended July 31, 2007:

	Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Thousands)
Balance at November 1, 2006	90,000	$ 10.00		
Exercised	(18,750)	10.00		
Cancelled	—	—		
Balance at July 31, 2007	71,250	$ 10.00	4.48	$ 1,882
Vested or expected to vest at July 31, 2007	71,250	$ 10.00	4.48	$ 1,882
Exercisable at July 31, 2007	35,625	$ 10.00	4.49	$ 941

The options expected to vest are the result of applying the pre-vesting forfeiture rate assumptions to total outstanding options. The total intrinsic value of options exercised during the nine months ended July 31, 2007 was $456,000.

As of July 31, 2007, pursuant to SFAS No. 123(R), there was $200,877 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Directors' Plan. The cost is expected to be recognized over a remaining weighted average period of 1.5 years. The total fair value of shares vested during the nine months ended July 31, 2007 was $104,000.

2005 Equity Incentive Option Plan

On April 29, 2005, the Company adopted the 2005 Equity Incentive Option Plan (the "EIP Plan") for executives and employees of the Company and other individuals who perform services to the Company. A total of 3,100,000 shares of the Company's Common Stock were reserved for issuance under the EIP Plan. The Company will no longer grant options under the EIP Plan and will retire any options cancelled hereafter. Option awards were generally granted with an exercise price equal to the market price of the Company's stock at the date of grant. Those options generally vest over a period of four years from the date of grant and have a maximum term of 7 years.

The following table summarizes option activity under the EIP Plan during the nine months ended July 31, 2007:

	Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Thousands)
		(Restated)		
Balance at November 1, 2006	1,878,801	$ 12.13		
Exercised	(405,114)	11.24		
Cancelled	(62,414)	11.39		
Balance at July 31, 2007	1,411,273	$ 12.42	4.51	$ 33,857
Vested or expected to vest at July 31, 2007	1,276,180	$ 12.41	4.51	$ 30,623
Exercisable at July 31, 2007	411,072	$ 12.78	4.48	$ 9,713

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The options expected to vest are the result of applying the pre-vesting forfeiture rate assumptions to total outstanding options. The total intrinsic value of options exercised during the nine months ended July 31, 2007 was $10.2 million.

As of July 31, 2007, pursuant to SFAS No. 123(R), there was $5.1 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the EIP Plan. The cost is expected to be recognized over a remaining weighted average period of 1.8 years. The total fair value of shares vested during the nine months ended July 31, 2007 was $2.6 million.

2006 Equity Incentive Plan

On March 22, 2006, the stockholders of VeriFone approved the 2006 Equity Incentive Plan (the "2006 Plan") for officers, directors, employees and consultants of the Company. A total of 9,000,000 shares of the Company's Common Stock have been reserved for issuance under the 2006 Plan. Awards are granted with an exercise price equal to the market price of the Company's Common Stock at the date of grant except for restricted stock units (RSUs). The awards generally vest over a period of four years from the date of grant and have a maximum term of seven years. Any shares granted as stock options and stock appreciation rights shall be counted as one share for every share granted. Any awards granted other than stock options or stock appreciation rights are counted, for the purpose of the number of shares issuable under the 2006 Plan, as 1.75 shares for every share granted.

The following table summarizes option activity under the 2006 Plan during the nine months ended July 31, 2007:

	Shares	Weighted Average Exercise Price (Restated)	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Thousands)
Balance at November 1, 2006	2,539,245	$ 29.10		
Granted	3,169,205	35.31		
Exercised	(66,435)	29.28		
Cancelled	(392,401)	31.56		
Balance at July 31, 2007	5,249,614	$ 32.74	6.21	$ 19,260
Vested or expected to vest at July 31, 2007	4,855,397	$ 32.70	6.21	$ 18,011
Exercisable at July 31, 2007	471,045	$ 29.23	5.65	$ 3,381

The options expected to vest are the result of applying the pre-vesting forfeiture rate assumptions to total outstanding options. The total intrinsic value of options exercised during the nine months ended July 31, 2007 was $500,000. The weighted average grant date fair value of options granted during the nine months ended July 31, 2007 was $9.49 per share.

As of July 31, 2007, pursuant to SFAS No. 123(R), there was $40.4 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements related to options granted under the 2006 Plan. The cost is expected to be recognized over the remaining weighted average period of 3.5 years. The total fair value of shares vested during the nine months ended July 31, 2007 was $5.2 million.

In March 2006, September 2006, January 2007, and July 2007, the Company issued 90,000, 80,000, 14,000, and 33,000 RSUs, respectively, to its executive officers and key employees with a zero value exercise price. Twenty-five percent of these awards shall vest one year from the date of grant and 1/16th vest quarterly thereafter. The fair value of the RSUs granted is the stock price on March 22, 2006, September 12, 2006, January 3, 2007 and

July 2, 2007 of $28.86, $27.50, $35.45 and $35.47, respectively. As of July 31, 2007, 186,875 RSUs are vested or are expected to vest, with an aggregate intrinsic value of $6.8 million. As of July 31, 2007, pursuant to SFAS No. 123(R), there was $4.4 million of total unrecognized compensation cost related to non-vested RSUs. The cost is expected to be recognized over the remaining weighted average period of 3.1 years.

In January 2007, the Company made an award of up to 900,000 RSUs to the Company's CEO. These RSUs may vest in three tranches over a four-year period based upon annual growth in the Company's net income, as adjusted, per share and its share price. Two-thirds of the RSUs are "performance units" that will vest based on achievement of net income, as adjusted, targets, and one-third of the RSUs are "market units" that will vest based on achievement of net income, as adjusted, targets and specified targets for the share price of the Company's stock. The performance units are earned in three annual tranches of up to 200,000 each in the event that the Company meets or exceeds specified annual increases in net income, as adjusted, per share for fiscal 2007, 2008, and 2009, based on a target of 20% annual increases. In addition, in each of fiscal 2007, 2008, and 2009, the CEO may earn a further 100,000 market units if the Company achieves both the targeted improvement in net income, as adjusted, per share and there is a corresponding improvement in the Company's share price, with a final target of $62.20 for fiscal 2009. Each year's RSUs will not vest until the end of the fiscal year following the year for which the specified target is met.

As of July 31, 2007, the Company had not recognized any compensation expense related to these RSUs as achievement of the fiscal year 2007 financial targets was not considered probable. The financial targets for the fiscal 2008 and 2009 tranches have not yet been determined; therefore, no measurement date has occurred for those tranches. The Company will value the fiscal 2008 and 2009 tranches when all factors for measurement have been determined and a measurement date has occurred. Because these shares are contingently issuable, they are excluded from the earnings per share calculation.

Lipman Plans

As part of the acquisition of Lipman on November 1, 2006, VeriFone assumed all of Lipman's outstanding options. The Company will no longer grant options under the Lipman Plans. The following table summarizes option activity under the Lipman Electronic Engineering, Ltd. Plans (Lipman Plans) during the nine months ended July 31, 2007:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Thousands)
		(Restated)		
Options assumed on acquisition of Lipman on				
November 1, 2006	3,375,527	$ 24.47		
Exercised	(873,839)	19.65		
Cancelled	(461,917)	27.69		
Balance at July 31, 2007	2,039,771	$ 25.68	4.56	$ 22,037
Vested or expected to vest at July 31, 2007	1,840,997	$ 25.44	4.56	$ 20,194
Exercisable at July 31, 2007	665,425	$ 22.60	4.88	$ 9,189

The options expected to vest are the result of applying the pre-vesting forfeiture rate assumptions to total outstanding options. The total intrinsic value of options exercised during the nine months ended July 31, 2007 was $14.7 million.

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As of July 31, 2007, pursuant to SFAS No. 123(R), there was $11.4 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Lipman Plans. The cost is expected to be recognized over remaining weighted average period of 2.3 years. The total fair value of shares vested during the nine months ended July 31, 2007 was $8.5 million.

All Plans

The total cash received from employees as a result of employee stock option exercises under all plans for the nine months ended July 31, 2007 was approximately $25.1 million. In connection with these exercises, the tax benefits realized by the Company and credited to equity for the nine months ended July 31, 2007 were $6.9 million.

The Company estimates the grant-date fair value of stock options using a Black-Scholes valuation model, consistent with the provisions of SFAS No. 123(R) and SEC Staff Accounting Bulletin No. 107, *Share-Based Payment*. Expected volatility of the stock is based on a blend of the Company's peer group in the industry in which it does business and the Company's historical volatility data for its own stock. The expected term of options granted is estimated by the Company considering vesting periods and historical trends within the Company's equity plans and represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on the U.S. Treasury zero-coupon issues with a remaining term equal to the expected term of the options used in the Black-Scholes valuation model. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive equity awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the Company under SFAS No. 123(R).

The fair value of each stock option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2007 (Restated)	2006	2007 (Restated)	2006
Expected term of the options	2 years	3 years	2 years	3.1 years
Risk-free interest rate	4.8%	5.2%	4.8%	5.0%
Expected stock price volatility	40%	41%	40%	42%
Expected dividend rate	0.0%	0.0%	0.0%	0.0%

The following table presents the stock-based compensation expense recognized in accordance with SFAS No. 123(R) during the nine months ended July 31, 2007 and 2006 (in thousands):

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2007 (Restated)	2006	2007 (Restated)	2006
Cost of net revenues	$ 570	$ 204	$ 2,417	$ 519
Research and development	1,443	326	4,342	716
Sales and marketing	1,974	569	5,486	1,309
General and administrative	1,872	587	9,709	1,254
	$ 5,859	$ 1,686	$ 21,954	$ 3,798

In the nine months ended July 31, 2007, stock-based compensation expense includes $1,039,000 related to the excess over fair value of the vested Lipman options assumed.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents the stock-based compensation expense recognized by plan in accordance with SFAS No. 123(R) during the following periods (in thousands):

	Three Months Ended July 31, 2007	Nine Months Ended July 31, 2007
	(Restated)	
New Founders' Stock Option Plan	$ 103	$ 323
Executive Plan	12	45
Outside Directors' Stock Option Plan	35	104
2005 Equity Incentive Option Plan	761	2,233
2006 Equity Incentive Plan	2,822	7,062
Lipman Plans	2,126	12,187
	$ 5,859	$ 21,954

Note 11. Segment and Geographic Information

Segment Information

The Company is primarily structured in a geographic manner. The Company's Chief Executive Officer has been identified as the Chief Operating Decision Maker ("CODM") as defined by SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information.* The CODM reviews consolidated financial information on revenues and gross profit percentage for System Solutions and Services. The CODM also reviews operating expenses, certain of which are allocated to the Company's two segments described below.

The Company operates in two business segments: North America and International. The Company defines North America as the United States and Canada, and International as the countries in which it makes sales outside the United States and Canada.

Net revenues and operating income of each business segment reflect net revenues generated within the segment, standard cost of System Solutions net revenues, actual cost of Services net revenues and expenses that directly benefit only that segment. Corporate net revenues and operating income (loss) reflect non-cash acquisition charges, including amortization of purchased core and developed technology assets, step-up of inventory and step-down in deferred revenue and other Corporate charges, including inventory obsolescence and scrap at corporate distribution centers, rework, specific warrant provisions, non-standard freight, over-and-under absorption of materials management, and supply chain engineering overhead. Corporate operating income also reflects the difference between the actual and standard cost of System Solutions net revenues and shared operating costs that benefit both segments, predominately research and development expenses and centralized supply chain management.

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table sets forth net revenues and operating income for the Company's segments (in thousands):

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2007 (Restated)	2006	2007 (Restated)	2006
Net revenues:				
International	$ 128,391	$ 62,289	$ 379,136	$ 181,791
North America	103,961	85,404	288,899	243,045
Corporate	(651)	(76)	(3,088)	(399)
Total net revenues	$ 231,701	$ 147,617	$ 664,947	$ 424,437
Operating income:				
International	$ 28,789	$ 16,819	$ 90,615	$ 45,052
North America	43,148	32,763	113,974	94,268
Corporate	(50,172)	(21,123)	(175,957)	(62,102)
Total operating income	$ 21,765	$ 28,459	$ 28,632	$ 77,218

The Company's long-lived assets which consist primarily of property, plant, and equipment, net by segment were as follows (in thousands):

	July 31, 2007 (Restated)	October 31, 2006
International	$ 22,138	$ 3,277
North America	20,817	6,270
	$ 42,955	$ 9,547

The Company's goodwill by segment was as follows (in thousands):

	July 31, 2007 (Restated)	October 31, 2006
International	$ 555,576	$ 19,102
North America	54,775	33,587
	$ 610,351	$ 52,689

The Company's total assets by segment were as follows (in thousands):

	July 31, 2007 (Restated)	October 31, 2006
International	$ 1,116,916	$ 125,681
North America	357,864	327,264
	$ 1,474,780	$ 452,945

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company's depreciation and amortization expense by segment were as follows (in thousands):

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2007 (Restated)	2006	2007 (Restated)	2006
International	$ 1,258	$ 207	$ 3,639	$ 560
North America	792	674	2,175	1,972
	$ 2,050	$ 881	$ 5,814	$ 2,532

Geographic Information

The net revenues by geographic area were as follows (in thousands):

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2007 (Restated)	2006	2007 (Restated)	2006
Europe	$ 69,912	$ 31,554	$ 209,875	$ 80,754
Latin America	42,673	23,981	124,841	74,426
Asia	15,806	6,754	44,420	26,611
United States	92,513	79,976	257,569	231,400
Canada	10,797	5,352	28,242	11,246
	$ 231,701	$ 147,617	$ 664,947	$ 424,437

Revenues are allocated to the geographic areas based on the shipping destination of customer orders. Corporate revenues are included in the United States geographic area revenues.

The Company's long-lived assets exclusive of intercompany accounts were as follows (in thousands):

	July 31, 2007 (Restated)	October 31, 2006
North America	$ 20,817	$ 6,409
Europe	20,194	2,191
Asia	1,039	270
Latin America	905	677
	$ 42,955	$ 9,547

Note 12. Related-Party Transactions

In June 2004, the Company paid a placement fee of $2,920,000 to GTCR Golder Rauner, L.L.C., the manager of equity funds that are stockholders of the Company, for services related to the Credit Facility acquired from Banc of America Securities and Credit Suisse First Boston. The debt issuance costs were amortized over the term of the related debt. The Company recorded amortization of debt issuance costs related to these costs of $69,000 and $201,000 for the three and nine months ended July 31, 2006, respectively, which is included in interest expense in the accompanying condensed consolidated statements of operations. On October 31, 2006, the Company entered into a new secured credit facility with a syndicate of financial institutions, led by JPMorgan Chase Bank, N.A. and Lehman Commercial Paper Inc. The proceeds were used to repay the outstanding amounts due from the existing secured credit facility and to pay the transaction costs and fund the cash consideration in connection with the merger with Lipman on November 1, 2006. The Company wrote off the remaining balance of unamortized debt issuance

cost of the credit facility acquired from Banc of America Securities and Credit Suisse First Boston in the amount of $6.4 million in October 2006 of which $1.6 million relates to the placement fee with GTCR Golden Rauner, L.L.C.

For the three and nine months ended July 31, 2007, the Company recorded sales of $3.6 million and $6.9 million, respectively, from affiliates of related parties which are included in System Solutions net revenues in the accompanying condensed consolidated statements of operations. For the comparable periods in fiscal 2006, the Company recorded sales of $0.7 million and $1.1 million, respectively.

Note 13. Income Taxes

The Company expects to provide for taxes in the fiscal year ended October 31, 2007 notwithstanding an expected loss on its consolidated statement of operations for the full fiscal year. This is because, in significant part, it has net profits in its international operations and a loss in the United States. The tax benefit of the U.S. financial reporting loss is also offset by an expected increase in the valuation allowance on U.S. deferred tax assets. The effect of these circumstances is to create a tax rate in both the three and nine months ended July 31, 2007 that is unusually high. The application of the intraperiod tax accounting rules of FIN 18 coupled with the accounting for discrete items related to the write-off of debt costs and losses at certain entities results in a computed charge for tax provision of $52.8 million and $53.2 million in the three and nine months ended July 31, 2007, respectively. For the three and nine months ended July 31, 2006, the tax provision was $9.0 million and $24.3 million, respectively. The Company expects to report a substantially lower tax provision for fiscal year 2007 estimated at approximately $24.7 million.

The Company is currently under audit by the Internal Revenue Service ("IRS") for its fiscal years 2002 to 2004. Although the Company believes it has correctly provided income taxes for the years subject to audit, the IRS may adopt different interpretations. The Company has not yet received any final determinations with respect to this audit.

Note 14. Employee Benefit Plans

The Company maintains a defined contribution 401(k) plan that allows eligible employees to contribute up to 60% of their pretax salary up to the maximum allowed under Internal Revenue Service regulations. Discretionary employer matching contributions of $0.5 million and $1.5 million were made to the plan during the three and nine months ended July 31, 2007, respectively, compared to $0.5 million and $1.4 million for the comparable periods in fiscal 2006.

Note 15. Subsequent Events

Class Action and Derivative Lawsuits

On or after December 4, 2007, several securities class action claims were filed against the Company and certain of the Company's officers. The various complaints specify different class periods, with the longest proposed class period being August 31, 2006 through December 3, 2007. These lawsuits have been consolidated in the U.S. District Court for the Northern District of California as *In re VeriFone Holdings, Inc. Securities Litigation,* C 07-6140 MHP. The original actions were: *Eichenholtz* v. *VeriFone Holdings, Inc. et al.*, C 07-6140 MHP; *Lien* v. *VeriFone Holdings, Inc. et al.*, C 07-6195 JSW; *Vaughn et al.* v. *VeriFone Holdings, Inc. et al.*, C 07-6197 VRW (Plaintiffs voluntarily dismissed this complaint on March 7, 2008); *Feldman et al.* v. *VeriFone Holdings, Inc. et al.*, C 07-6218 MMC; *Cerini* v. *VeriFone Holdings, Inc. et al.*, C 07-6228 SC; *Westend Capital Management LLC* v. *VeriFone Holdings, Inc. et al.*, C 07-6237 MMC; *Hill* v. *VeriFone Holdings, Inc. et al.*, C 07-6238 MHP; *Offutt* v. *VeriFone Holdings, Inc. et al.*, C 07-6241 JSW; *Feitel* v. *VeriFone Holdings, Inc., et al.*, C 08-0118 CW. On March 17, 2008, the Court held a hearing on Plaintiffs' motions for Lead Plaintiff and Lead Counsel and in May 2008, the Court requested additional briefing on these matters, which was submitted in June 2008. The Company currently expects that following the Court's order appointing Lead Plaintiff and Lead Counsel, a Consolidated Complaint will be filed. Each of the consolidated actions alleges, among other things, violations of Sections 10(b)

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, based on allegations that the Company and the individual defendants made false or misleading public statements regarding the Company's business and operations during the putative class periods and seeks unspecified monetary damages and other relief. At this time, the Company has not recorded any liabilities as it is unable to estimate any potential liability.

Beginning on December 13, 2007, several derivative actions were also filed against certain current and former directors and officers. These derivative lawsuits were filed in: (1) the U.S. District Court for the Northern District of California, as *In re VeriFone Holdings, Inc. Shareholder Derivative Litigation*, Lead Case No. C 07-6347, which consolidates *King* v. *Bergeron, et al.* (Case No. 07-CV-6347), *Hilborn v. VeriFone Holdings, Inc., et al.* (Case No. 08-CV-1132), *Patel v. Bergeron, et al.* (Case No. 08-CV-1133), and *Lemmond, et al. v. VeriFone Holdings, Inc., et al.* (Case No. 08-CV-1301); and (2) California Superior Court, Santa Clara County, as *In re VeriFone Holdings, Inc. Derivative Litigation*, Lead Case No. 1-07-CV-100980, which consolidates *Catholic Medical Mission Board v. Bergeron, et al.* (Case No. 1-07-CV-100980), and *Carpel v. Bergeron, et al.* (Case No. 1-07-CV-101449). The complaints allege, among other things, that certain of the Company's current and former directors and officers breached their fiduciary duties to the Company and violated provisions of the California Corporations Code and certain common law doctrines by engaging in alleged wrongful conduct complained of in the securities class action litigation described above. The Company is named solely as a nominal defendant against whom the plaintiffs seek no recovery. Amended consolidated complaints are expected to be filed in September 2008 in each set of consolidated cases.

On January 27, 2008, a class action complaint was filed against the Company in the Central District Court in Tel Aviv, Israel on behalf of purchasers of the Company's stock on the Tel Aviv Stock Exchange. The complaint seeks compensation for damages allegedly incurred by the class of plaintiffs due to the publication of erroneous financial reports. On May 25, 2008, the Court held a hearing on the Company's motion to dismiss or stay the proceedings, after which the Court requested that the plaintiff and the Company submit additional information to the Court with respect to the applicability of Israeli law to dually registered companies. This additional information was submitted to the Court in June 2008 and the parties are currently awaiting the Court's ruling on this issue. At this time, the Company has not recorded any liabilities as it is unable to estimate the potential liabilities.

The foregoing cases are still in the preliminary stages, and the Company is not able to quantify the extent of its potential liability, if any. An unfavorable outcome in any of these matters could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, defending this litigation is likely to be costly and may divert management's attention from the day-to-day operations of the Company's business.

Regulatory Actions

The Company has responded to inquiries and provided information and documents related to the restatement of its fiscal year 2007 interim financial statements to the Securities and Exchange Commission, the Department of Justice, the New York Stock Exchange and the Chicago Board Options Exchange. The SEC has also expressed an interest in interviewing several current and former officers and employees of the Company, and the Company is continuing to cooperate with the SEC in responding to the SEC's requests for information. The Company is unable to predict what consequences, if any, any investigation by any regulatory agency may have on the Company. There is no assurance that other regulatory inquiries will not be commenced by other U.S. federal, state or foreign regulatory agencies.

With regard to the civil investigative demand from the Department of Justice discussed in Note 8, on June 20, 2008, counsel for the Company received written confirmation from the Department of Justice that it had closed its civil investigation into the Company's acquisition of Lipman.

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Brazilian Tax Assessment

A hearing in the São Paulo tax assessment matter discussed in Note 8 was held on August 12, 2008 before the Taxpayers Council, but the Taxpayers Council did not render a decision pending its further review of the records. Management expects to receive the decision of the Taxpayers Council sometime in 2008. In the event the Company receives an adverse ruling from the Taxpayers Council, the Company will decide whether or not to appeal to the judicial level.

Two of the Company's Brazilian subsidiaries that were acquired as a part of the Lipman acquisition have been notified of an additional assessment regarding Brazilian customs penalties that relates to alleged infractions in the importation of goods. The assessment was issued by the Federal Revenue Department in the City of Itajai. On May 22, 2008, the Company was notified of a first administrative level decision rendered in the Itajai assessment, which maintained the total fine of 2.0 million Brazilian reais (approximately $1.1 million) imposed, excluding interest. On May 27, 2008, the Company appealed the first level administrative level decision to the Taxpayers Council.

Amendments to the Credit Facility

On January 25, 2008, the Company's subsidiaries, VeriFone, Inc. (the "Borrower") and VeriFone Intermediate Holdings, Inc. entered into a First Amendment to the Credit Agreement and Waiver (the "First Amendment") with the Lenders under its Credit Facility, dated October 31, 2006. The First Amendment extends the deadlines for delivery of certain required financial information for the three-month periods ended January 31, April 30, and July 31, 2007, the year ended October 31, 2007, and the three-month period ended January 31, 2008. In connection with the First Amendment, the Borrower paid to consenting Lenders a fee of $0.7 million, or 0.25% of the aggregate amount outstanding under the Term B loan and revolving credit commitment made available by the consenting Lenders, and agreed to an increase in the interest rate payable on the term loan of 0.25% per annum.

On April 28, 2008, the Borrower and VeriFone Intermediate Holdings, Inc. entered into a Second Amendment to the Credit Agreement (the "Second Amendment") with the Lenders under its Credit Facility. The Second Amendment extends the time periods for delivery of certain required financial information for the three-month periods ended January 31, April 30, and July 31, 2007, the year ended October 31, 2007, and the three-month periods ended January 31 and April 30, 2008. In connection with the Second Amendment, the Borrower paid to consenting Lenders a fee of $0.7 million, or 0.25% of the aggregate amount outstanding under the term loan and revolving credit commitment made available by the consenting Lenders, agreed to an additional increase in the interest rate payable on the Term B loan and any revolving commitments of 0.75% per annum, agreed to an increase of 0.125% per annum to the commitment fee for unused revolving commitments, and agreed to an increase of 0.75% per annum to the letter of credit fees, each of which are effective from the date of the Second Amendment.

On July 31, 2008, the Borrower and VeriFone Intermediate Holdings, Inc. entered into a Third Amendment to the Credit Agreement (the "Third Amendment") with the Lenders under its Credit Facility. The Third Amendment extends the time periods for delivery of certain required financial information for the three-month periods ended January 31, April 30, and July 31, 2007, the year ended October 31, 2007, and the three-month periods ended January 31 and April 30, 2008 to August 31, 2008. In connection with the Third Amendment, the Borrower paid to consenting Lenders a fee of $0.3 million, or 0.125% of the aggregate amount outstanding under the Term B loan and the amount of the revolving credit commitment made available by the consenting Lenders. Following the Third Amendment, the Borrower pays interest on the Term B loan at a rate of 2.75% over three-month LIBOR (the Borrower may elect at the end of an interest period to have the term loan bear interest at 1.75% over the lender's base rate) and any revolving loans would bear interest, at the Borrower's option, at either 2.0% over LIBOR or 1.0% over the lender's base rate, assuming the Borrower remains in the lowest rate tier based on its total consolidated leverage ratio.

Patent Infringement Lawsuits

On September 18, 2007, SPA Syspatronic AG ("SPA") commenced an action in the United States District Court for the Eastern District of Texas, Marshall Division, against the Company and others, alleging infringement of U.S. Patent No. 5,093,862 purportedly owned by SPA. The plaintiff is seeking a judgment of infringement, an injunction against further infringement, damages, interest and attorneys' fees. The Company filed an answer and counterclaims on November 8, 2007, and intend to vigorously defend this litigation. On January 28, 2008, the Company requested that the U.S. Patent and Trademark Office (the "PTO") perform a re-examination of the patent. The PTO granted the request on April 4, 2008. The Company then filed a motion to stay the proceedings with the Court and on April 25, 2008, the Court agreed to stay the proceedings pending the re-examination.

On March 6, 2008, Cardsoft, Inc. and Cardsoft (Assignment for the Benefit of Creditors), LLC ("Cardsoft") commenced an action in the United States District Court for the Eastern District of Texas, Marshall Division, against the Company and others, alleging infringement of U.S. Patents No. 6,934,945 and No. 7,302,683 purportedly owned by Cardsoft. The plaintiff is seeking a judgment of infringement, an injunction against further infringement, damages, interest and attorneys' fees. The Company intends to vigorously defend this litigation.

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ITEM 2. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

Forward-Looking Statements

This section and other parts of this Quarterly Report on Form 10-Q contain forward-looking statements that involve risks and uncertainties. In some cases, forward-looking statements can be identified by words such as "anticipates," "expects," "believes," "plans," "predicts," and similar terms. Such forward-looking statements are based on current expectations, estimates, and projections about our industry, management's beliefs, and assumptions made by management. Forward-looking statements are not guarantees of future performance and our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part II, Item 1A "Risk Factors" below and in Item 1A of our Annual Report on Form 10-K for the year ended October 31, 2006 filed with the SEC on December 18, 2006. The following discussion should be read in conjunction with our consolidated financial statements and related notes included in our 2006 Annual Report on Form 10-K and the condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q. Unless required by law, we expressly disclaim any obligation to update publicly any forward-looking statements, whether as result of new information, future events, or otherwise.

When we use the terms "VeriFone," "we," "us," and "our" in this item, we mean VeriFone Holdings, Inc., a Delaware corporation, and its consolidated subsidiaries.

The discussion and analysis set forth below in this Item 2 has been amended to reflect the restatement as described above in the Explanatory Note to this amended Quarterly Report on Form 10-Q/A and in Note 2, "Restatement of Condensed Consolidated Financial Statements," to the Notes to Condensed Consolidated Financial Statements. For this reason, the data set forth in this section may not be comparable to discussions and data in our previously filed Quarterly Reports.

Restatement and Audit Committee Investigation

Background

On December 3, 2007, we announced that our management had identified errors in accounting related to the valuation of in-transit inventory and allocation of manufacturing and distribution overhead to inventory and that as a result of these errors, we anticipated that a restatement of our unaudited condensed consolidated financial statements would be required for the following interim periods:

- the three months ended January 31, 2007;
- the three and six months ended April 30, 2007; and
- the three and nine months ended July 31, 2007.

Our management originally estimated that the restatement would result in changes to previously reported results as follows:

	As of and for the Three Months Ended		
	January 31, 2007	April 30, 2007	July 31, 2007
		(In millions)	
Reduction in Inventories	$ 7.7	$ 16.5	$ 30.2
Reduction in Income before income taxes	$ 8.9	$ 7.0	$ 13.8

Audit Committee Investigation

On December 3, 2007, following our announcement, the Audit Committee approved the commencement of an independent investigation into the errors in accounting that led to the anticipated restatement. The Audit Committee engaged independent counsel, Simpson Thacher & Bartlett LLP ("Simpson Thacher"), to conduct the independent investigation under the Audit Committee's supervision. Simpson Thacher engaged Navigant Consulting, Inc.

("Navigant") as independent forensic accountants. The scope of the investigation was proposed by Simpson Thacher in consultation with Navigant and approved by the Audit Committee. The investigation involved a program of forensic analysis designed to investigate, among other things:

- the circumstances surrounding the errors identified by management and described in our December 3, 2007 announcement;
- whether additional errors existed requiring further restatement in the interim periods of fiscal 2007 and the adjustments required to correct and restate our interim financial statements; and
- whether evidence existed indicating that periods prior to fiscal 2007 may also be required to be restated.

Simpson Thacher and Navigant assembled an investigative team that ultimately consisted of approximately 70 professionals. Information and documents were gathered from current and former employees worldwide. Using search technology, the investigative team evaluated over five million documents in physical and electronic form. Navigant also reviewed relevant accounting databases and journal entries. The investigative team also conducted more than 25 interviews of senior executives, former senior executives of Lipman and current and former finance, accounting and supply chain personnel.

We announced on April 2, 2008 that the investigation was complete and that the investigation had confirmed the existence of the errors in accounting identified in our December 3, 2007 announcement. In particular, the investigation confirmed that incorrect manual journal and elimination entries had been made primarily by our Sacramento supply chain accounting team with respect to several inventory-related matters.

The investigation also concluded that existing policies with respect to manual journal entries were not followed and that the review processes and controls in place were not sufficient to identify and correct the errors in a timely manner. The investigation found no evidence that any period prior to fiscal year 2007 required restatement.

Restatement

Concurrently with the Audit Committee investigation, we also conducted an internal review for the purpose of restating our fiscal 2007 interim condensed consolidated financial statements and preparing our fiscal 2007 annual consolidated financial statements and fiscal 2008 interim condensed consolidated financial statements. This review included evaluations of the previously made accounting determinations and judgments. As a result, we have also corrected additional errors, including errors that had previously not been corrected because our management believed that individually and in the aggregate such errors were not material to our consolidated financial statements. Management also made additional adjustments to reduce certain accruals which had been recorded, such as bonuses, which were accrued based upon information which, following the restatement, was no longer accurate.

The restatements of fiscal 2007 interim results resulted in the following adjustments:

	As of and for the Three Months Ended		
	January 31, 2007	April 30, 2007	July 31, 2007
		(In millions)	
Reduction in Inventory	$ 13.3	$ 23.9	$ 40.6
Reduction in Income before income taxes	$ 12.5	$ 9.9	$ 14.4
Reduction in Net Income	$ 4.7	$ 9.7	$ 55.8

A complete analysis of the adjustments reflected in the restatement as of and for the three and nine months ended July 31, 2007 is included in Note 2, "Restatement of Condensed Consolidated Financial Statements," to the Notes to Condensed Consolidated Financial Statements.

The provision for income taxes for the three and nine months ended July 31, 2007, as restated, are each significantly higher than as originally reported due to two principal factors. First, under FIN 18, our quarterly tax provision is determined by applying the estimated annual effective tax rate to our pretax income for the quarter as adjusted for discrete items. For the three months ended July 31, 2007, the estimated annual rate for FIN 18 purposes was 340% and our pretax income, as adjusted for discrete items, was $16 million. This results in approximately

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$55 million of taxes before discrete tax adjustments. We offset this with approximately $2.2 million of discrete tax benefit in determining the provision for income taxes for the quarter. Second, we also recorded a significant increase in the valuation allowance for deferred tax assets during the year ended October 31, 2007 due primarily to the restated (or revised projected) pre-tax income (loss) for fiscal year ended October 31,2007 and ending October 31, 2008. The increase in the valuation allowance resulted in a significantly larger provision for taxes, which has been allocated to the quarterly results under FIN 18.

Among the most significant errors giving rise to the restatement were:

- manual journal entries made for the three months ended January 31, 2007 that erroneously added manufacturing and distribution overhead to inventory held at former Lipman subsidiaries, notwithstanding that overhead had already been allocated to that inventory. This duplication erroneously increased reported inventory and reduced reported cost of net revenues by $7.7 million in the three months ended January 31, 2007;
- manual journal entries made for the periods ended April 30, 2007 and July 31, 2007 that erroneously recorded in-transit inventory of an additional $12.7 million at April 30, 2007 and an additional $7.3 million at July 31, 2007 based on erroneous methodology and application of source documents; and
- $6.3 million in errors made in the elimination of intercompany profit in inventory for the nine months ended July 31, 2007.

In connection with the Audit Committee investigation and restatement process, we identified material weaknesses in our internal control over financial reporting, as a result of which our senior management has concluded that our disclosure controls and procedures were not effective as of July 31, 2007. These material weaknesses and management's remediation efforts are summarized under Item 4 "Controls and Procedures" in this Quarterly Report.

Overview

We are a global leader in secure electronic payment solutions. We provide expertise, solutions, and services that add value to the point of sale with merchant-operated, consumer-facing, and self-service payment systems for the financial, retail, hospitality, petroleum, government, and healthcare vertical markets. Since 1981, we have designed and marketed system solutions that facilitate the long-term shift toward electronic payment transactions and away from cash and checks. We believe that we have one of the leading electronic payment solutions brands and, supported by our recent acquisition of Lipman Electronic Engineering Ltd ("Lipman"), we are one of the largest providers of electronic payment systems worldwide in terms of revenues and research and development spending.

Our System Solutions consist of point of sale electronic payment devices that run our proprietary and third-party operating systems, security and encryption software, and certified payment software as well as third-party, value-added applications. Our System Solutions are able to process a wide range of payment types including signature and PIN-based debit cards, credit cards, contactless / radio frequency identification, or RFID, cards and tokens, smart cards, pre-paid gift and other stored-value cards, electronic bill payment, check authorization and conversion, signature capture, and electronic benefits transfer, or EBT. Our proprietary architecture was the first to enable multiple value-added applications, such as gift card and loyalty card programs, healthcare insurance eligibility, and time and attendance tracking, to reside on the same system without requiring recertification when new applications are added to the system. We are an industry leader in multi-application payment system deployments and we believe we have the largest selection of third-party certified value-add applications.

We design our System Solutions to meet the demanding requirements of our direct and indirect customers. Our electronic payment systems are available in several distinctive modular configurations, offering our customers flexibility to support a variety of connectivity options, including wireline and wireless internet protocol, or IP, technologies. We also offer our customers support for installed systems, consulting and project management services for system deployment, and customization of integrated software solutions.

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Our customers are primarily global financial institutions, payment processors, petroleum companies, large retailers, government organizations, and healthcare companies, as well as independent sales organizations, or ISOs. The functionality of our System Solutions includes transaction security, connectivity, compliance with certification standards, and the flexibility to execute a variety of payment and non-payment applications on a single system solution.

Results of Operations

Net Revenues

We generate net revenues through the sale of our electronic payment systems and solutions that enable electronic payments, which we identify as System Solutions, and to a lesser extent, warranty and support services, field deployment, installation and upgrade services, and customer specific application development, which we identify as Services.

Net revenues, which include System Solutions and Services, are summarized in the following table (in thousands, except percentages):

	Three Months Ended July 31,				Nine Months Ended July 31,			
	2007 (Restated)	2006	Change in Dollars	Change in Percent	2007 (Restated)	2006	Change in Dollars	Change in Percent
Systems Solutions	$ 205,972	$ 131,960	$ 74,012	56%	$ 586,407	$ 378,781	$ 207,626	55%
Services	25,729	15,657	10,072	64%	78,540	45,656	32,884	72%
Total	$ 231,701	$ 147,617	$ 84,084	57%	$ 664,947	$ 424,437	$ 240,510	57%

System Solutions

System Solutions net revenues increased $74.0 million, or 56%, to $206.0 million for the three months ended July 31, 2007 from $132.0 million for the three months ended July 31, 2006. System Solutions net revenues comprised 89% of total net revenues both for the three months ended July 31, 2007 and the three months ended July 31, 2006.

International System Solutions net revenues for the three months ended July 31, 2007 increased $55.5 million, or 93%, to $115.1 million. The increase was largely attributable to growth across emerging economies, in particular the countries of Brazil and Turkey, and to a lesser extent, Western Europe. Factors driving the emerging economies increase were the addition of the Nurit, Secura, and Xplorer product lines, acquired in the Lipman acquisition, and the continued desire of these countries to modernize their infrastructure and improve collection of VAT. In Western Europe, acquisition-related sales in the UK, Spain, and Italy were the primary reason for growth. We expect that the proportion of International System Solutions net revenues, relative to North America System Solutions net revenues, will increase at a higher growth rate for at least the next year. In addition, we may experience periodic variations in sales to our International markets.

North America System Solutions net revenues for the three months ended July 31, 2007 increased $18.5 million, or 26%, to $91.0 million. This increase was primarily attributable to an increase in demand for wireless products due to our customers' interest in differentiating the service they provide to merchants, multi-lane retail solutions which enable PCI security compliance, and higher sales in Canada, where customers are preparing for a transition to EMV and Interac Chip acceptance. Partially offsetting this increase was a decline in sales for a legacy check processing solution.

System Solutions net revenues increased $207.6 million, or 55%, to $586.4 million for the nine months ended July 31, 2007 from $378.8 million for the nine months ended July 31, 2006. System Solutions net revenues comprised 88% of total net revenues for the nine months ended July 31, 2007 as compared to 89% for the nine months ended July 31, 2006.

International System Solutions net revenues for the nine months ended July 31, 2007 increased $161.9 million, or 92%, to $337.2 million. The increase was largely attributable to growth across emerging economies, in particular

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Brazil, Turkey, countries of Eastern Europe, China, and to a lesser extent, Western Europe. Factors driving the emerging economies increase were the addition of the Nurit, Secura, and Xplorer product lines, acquired in the Lipman acquisition, and continued desire of these countries to modernize their infrastructure and improve collection of VAT. In Western Europe, acquisition related sales in the UK, Spain, and Italy were the primary reason for growth.

North America System Solutions net revenues for the nine months ended July 31, 2007 increased $46.3 million, or 23%, to $249.8 million. This increase was primarily attributable to an increase in demand for wireless products due to our customers' interest in differentiating the service they provide to merchants, and higher sales in Canada, where customers are preparing for a transition to EMV and Interac Chip acceptance, and growth of multi-lane retail solutions which enable PCI security compliance and enhanced customer interaction through full motion video. Partially offsetting this increase was a decline in sales for a legacy check processing solution.

Services

Services net revenues increased $10.1 million, or 64%, to $25.7 million for the three months ended July 31, 2007 from $15.7 million for the three months ended July 31, 2006. This growth occurred mainly in International Services due to higher growth in maintenance and deployment revenues in Europe and Brazil associated with the acquisition of Lipman. North America revenues were essentially unchanged from the prior year.

Services net revenues increased $32.9 million, or 72%, to $78.5 million for the nine months ended July 31, 2007 compared to the nine months ended July 31, 2006. This growth occurred entirely in International, while North America had a slight decline. International growth was due to higher growth in maintenance revenues and deployment revenues in Europe and Brazil associated with the acquisition of Lipman. The North America decline was due to fewer installations for quick service restaurant customers.

Gross Profit

The following table shows the gross profit for System Solutions and Services (in thousands, except percentages):

	Three Months Ended July 31,				Nine Months Ended July 31,			
	Amount		Gross Profit Percentage		Amount		Gross Profit Percentage	
	2007 (Restated)	2006	2007	2006	2007 (Restated)	2006	2007	2006
Systems Solutions	$ 73,704	$ 59,256	35.8%	44.9%	$ 194,897	$ 167,197	33.2%	44.1%
Services	11,892	7,205	46.2%	46.0%	36,968	22,265	47.1%	48.8%
Total	$ 85,596	$ 66,461	36.9%	45.0%	$ 231,865	$ 189,462	34.9%	44.6%

Gross profit on System Solutions increased $14.4 million, or 24%, to $73.7 million for the three months ended July 31, 2007 from $59.3 million for the three months ended July 31, 2006. Gross profit on System Solutions represented 35.8% of System Solutions net revenues for the three months ended July 31, 2007 down from 44.9% for the three months ended July 31, 2006.

North America gross profit percentage declined primarily due to the lower proportion of Petroleum system solution sales, which carry higher than average gross margins and the growth in retail system solutions, which carry lower than average gross margins. Wireless solutions, which increased year over year and carry above average gross margins, partially offset these declines.

International gross profit percentage declined due to increased price competition in Turkey, unfavorable product mix in Brazil, and the delivery of a large, low margin custom payment solution in Western Europe. In addition, with our acquisition of Lipman, international sales, which typically carry lower gross margins relative to domestic gross margins, increased with a resulting adverse impact on gross margins. Partially offsetting these declines was an increase in wireless solutions, which carry higher gross margins than landline solutions.

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Corporate costs increased as a percentage of System Solutions net revenues in part due to the amortization of purchased core and developed technology assets as a result of the Lipman acquisition. Corporate costs increased to 7.8% of Systems Solutions net revenues for the three months ended July 31, 2007 compared to 2.7% for the three months ended July 31, 2006. These Corporate costs were also impacted by inventory write-downs and scrap, partially offset by reduced air freight as a percentage of sales. Corporate costs are comprised of non-cash acquisition charges, including amortization of purchased core and developed technology assets, step-up of inventory and step-down in deferred revenue, and other Corporate charges, including inventory obsolescence and scrap at corporate distribution centers, rework, non-standard freight, over-and-under absorption of materials management and supply chain engineering overhead. Since these costs are generally incurred on a company-wide basis, it is impractical to allocate them to either the North America or International segment.

Gross profit on System Solutions, including amortization of purchased core and developed technology assets, increased $27.7 million, or 16.6%, to $194.9 million for the nine months ended July 31, 2007 from $167.2 million for the nine months ended July 31, 2006. Gross profit on System Solutions represented 33.2% of System Solutions net revenues for the nine months ended July 31, 2007 down from 44.1% for the nine months ended July 31, 2006. Gross profit percentage also declined due to the higher proportion of international net revenues, which typically carry a lower margin than North American net revenues. This decline was partially offset by higher sales of wireless solutions, which typically carry a higher margin than landline solutions.

North America gross profit percentage declined primarily due to the lower proportion of Petroleum system solution sales, which carry higher than average gross margins, and the growth in Retail system solutions and single application solutions sales, which carry lower than average margins.

International gross profit percentage declined primarily due to increased price competition in Turkey, unfavorable product mix in Brazil and the inclusion of low margin Secura and Xplorer product lines, which carry lower than average gross margins relative to other International System Solutions.

Corporate costs increased as a percentage of System Solutions revenues primarily due to amortization of purchased core and developed technology assets and step-up of inventory fair value. These Corporate costs increased to 10.5% of Systems Solutions net revenues in the nine months ended July 31, 2007 compared to 3.2% in the nine months ended July 31, 2006, as a result of the Lipman acquisition. Partially offsetting this increase were lower air freight costs as a percentage of Systems Solutions net revenues and the fact that setup costs for the Singapore International headquarters established in 2006 did not recur in 2007.

Gross profit on Services increased $4.7 million, or 65%, to $11.9 million for the three months ended July 31, 2007 from $7.2 million for the three months ended July 31, 2006. Gross profit on Services represented 46.2% of Services net revenues for the three months ended July 31, 2007 as compared to 46.0% for the three months ended July 31, 2006.

Gross profit on Services increased $14.7 million, or 66%, to $37.0 million for the nine months ended July 31, 2007 from $22.3 million for the nine months ended July 31, 2006. Gross profit represented 47.1% of Services net revenues for the nine months ended July 31, 2007 as compared to 48.8% for the nine months ended July 31, 2006. The decline was due to the inclusion of service revenues related to the Lipman acquisition which earned a gross margin percent below our historical averages.

Research and Development Expenses

Research and development ("R&D") expenses are summarized in the following table (in thousands, except percentages):

	Three Months Ended July 31,				Nine Months Ended July 31,			
	2007 (Restated)	2006	Change in Dollars	Change in Percent	2007 (Restated)	2006	Change in Dollars	Change in Percent
Research and development	$ 15,365	$ 11,726	$ 3,639	31%	$ 48,272	$ 35,354	$ 12,918	37%
Percentage of net revenues	*6.6%*	*7.9%*			*7.3%*	*8.3%*		

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R&D expenses increased $3.6 million to $15.4 million for the three months ended July 31, 2007 from $11.7 million for the three months ended July 31, 2006. The increased expenses were primarily due to $3.1 million of expenses incurred at Lipman entities, $1.1 million of stock-based compensation, and $0.7 million of expenses incurred at PayWare entities, all partially offset by $1.0 million of higher software costs required to be capitalized under SFAS No. 86 for the three months ended July 31, 2007 as compared to the three months ended July 31, 2006, due to an increase in the number of projects which have software spending.

R&D expenses increased $12.9 million to $48.3 million for the nine months ended July 31, 2007 compared to the nine months ended July 31, 2006. R&D expenses increased primarily due to $9.8 million of expenses incurred at Lipman entities, $3.6 million of stock-based compensation, and $2.3 million of expenses incurred at PayWare entities, partially offset by $2.8 million of higher software costs required to be capitalized under SFAS No. 86, due to an increase in the number of projects which have software spending.

Sales and Marketing Expenses

Sales and marketing expenses are summarized in the following table (in thousands, except percentages):

	Three Months Ended July 31,				Nine Months Ended July 31,			
	2007 (Restated)	2006	Change in Dollars	Change in Percent	2007 (Restated)	2006	Change in Dollars	Change in Percent
Sales and marketing	$ 23,686	$ 14,181	$ 9,505	67%	$ 69,549	$ 42,786	$ 26,763	63%
Percentage of net revenues	*10.2%*	*9.6%*			*10.5%*	*10.1%*		

Sales and marketing expenses increased $9.5 million to $23.7 million for the three months ended July 31, 2007 from $14.2 million for the three months ended July 31, 2006. The higher expenses, due primarily to the acquisitions of Lipman and PayWare, included $3.3 million of increased personnel costs, $1.7 million of increased outside services, $1.4 million of increased stock-based compensation, $0.8 million of increased marketing communication expenses, and $0.8 million in increased travel expenses.

Sales and marketing expenses increased $26.8 million to $69.5 million for the nine months ended July 31, 2007 compared to the nine months ended July 31, 2006. The higher expenses, due primarily to the acquisitions of Lipman and PayWare, included $10.7 million of increased personnel costs, $4.4 million of increased outside services, $4.2 million of increased stock-based compensation, $2.0 million of increased marketing communication expenses, and $1.7 million in increased travel expenses.

General and Administrative Expenses

General and administrative expenses are summarized in the following table (in thousands, except percentages):

	Three Months Ended July 31,				Nine Months Ended July 31,			
	2007 (Restated)	2006	Change in Dollars	Change in Percent	2007 (Restated)	2006	Change in Dollars	Change in Percent
General and administrative	$ 19,364	$ 10,936	$ 8,428	77%	$ 62,306	$ 30,627	$ 31,679	103%
Percentage of net revenues	*8.4%*	*7.4%*			*9.4%*	*7.2%*		

General and administrative expenses increased $8.4 million to $19.4 million for the three months ended July 31, 2007 from $10.9 million for the three months ended July 31, 2006. The higher expenses were primarily due to the acquisition of Lipman and PayWare and included $2.3 million of expenses for the preparation of the response to the U.S. Department of Justice investigation of the Lipman acquisition, the establishment of business controls in former Lipman entities, and a Lipman distributor agreement restructuring charge. In addition, we incurred $1.9 million of increased personnel expense, $1.3 million of increased stock-based compensation expenses, $1.1 million of increased bad debt, $0.8 million of increased outside contract services and $0.6 million of increased legal expenses.

General and administrative expenses in the nine months ended July 31, 2007 increased $31.7 million to $62.3 million compared to the nine months ended July 31, 2006. The higher expenses were primarily due to the acquisition of Lipman and PayWare and included $9.7 million of integration expenses relating to the acquisition of Lipman and restructuring charges in VeriFone entities, $8.5 million of increased stock-based compensation expenses, $6.6 million of increased personnel costs, $1.5 million of increased bad debt expense, $1.5 million of increased outside contract services, $1.1 million of increased legal expenses, and $0.7 million of increased insurance expenses.

Amortization of Purchased Intangible Assets

Amortization of purchased intangible assets increased $4.2 million to $5.4 million for the three months ended July 31, 2007 compared with $1.2 million for the three months ended July 31, 2006. For the nine months ended July 31, 2007 amortization of purchased intangible assets increased $13.0 million to $16.5 million from $3.5 million for the nine months ended July 31, 2006. The increase for both periods was primarily due to additional purchased intangible assets relating to the acquisition of Lipman, which was completed on November 1, 2006.

In-Process Research and Development (IPR&D)

We recognized IPR&D expense of $6.7 million during the nine months ended July 31, 2007 in connection with our Lipman acquisition. The products considered to be IPR&D were in our consumer-activated and countertop communication modules which have subsequently reached technological feasibility.

Consumer-activated systems. We had two projects involving consumer-activated systems in process. The first involved a new category of PIN pad devices with debit, credit, and smart card payment capabilities with interfaces to countertop systems and ECRs. The project was 75% complete at November 1, 2006. The estimated cost of completion at November 1, 2006 was $0.3 million and the expected completion date was December 2006. The project was completed during the three months ended January 31, 2007 for approximately the expected cost.

The second project was a new product family of consumer-activated payment systems for multi-lane retailers. New features include a faster processor, more memory, modular design, a signature capture option, Ethernet/USB option, and smart card option. The project was in the pilot stage. The estimated cost of completion at November 1, 2006 was less than $0.1 million. The project was completed at approximately for the estimated cost during the three months ended January 31, 2007.

Countertop communication modules. This project was developing new modem, Ethernet, and ISDN communication modules for countertop system solutions, consisting of customer firmware and circuit board design intended to achieve desired functions, operating system drivers, library, and application modifications. The project was 50% complete at November 1, 2006. The estimated cost of completion at the acquisition date was $0.2 million and the expected completion date was December 2006. The project was completed during the three months ended January 31, 2007 for approximately the expected cost.

We prepared cash flow forecasts for the acquired projects and those forecasts were used to develop a discounted cash flow model. The discount rate assigned to in-process technologies was 19% with consideration given to the risk associated with these in-process projects.

Interest Expense

Interest expense of $9.5 million for the three months ended July 31, 2007 increased from $3.4 million for the three months ended July 31, 2006. For the nine months ended July 31, 2007, interest expense increased $18.8 million to $28.7 million from $9.9 million for the nine months ended July 31, 2006. The increase in both periods was primarily attributable to the increase of our Term B Loan due to the completion of our acquisition of Lipman partially offset by the lower average interest rates paid following issuance of our convertible debt. For the three and nine months ended July 31, 2007, we have accrued interest expense of approximately 1.8 million and 2.1 million Brazilian reais, respectively (approximately $0.9 million and $1.0 million, respectively) based on our current understanding of various assessments imposed on our Brazilian subsidiary.

In July 2007, the Financial Accounting Standards Board ("FASB") approved the preparation of a FASB Staff Position on the accounting for convertible debt instruments with terms similar to our recently issued 1.375% Senior Convertible Notes. We understand that the proposed FSP would require bifurcation of the conversion option from the debt instrument, classification of the conversion option in equity, and then accretion of the resulting discount on the debt to result in additional interest expense being reported in the income statement. We understand that the FASB plans to issue the proposed FSP shortly and the final FSP at the end of 2007. Although the proposed FSP has not been issued and we cannot predict the outcome of the final FSP, we believe that if the FASB determines that we should account for our convertible debt in the manner described above, the accounting for our senior convertible notes would be affected and the impact to our financial position and results of operations could be material.

Interest Income

Interest income of $2.2 million for the three months ended July 31, 2007 increased from $0.9 million for the three months ended July 31, 2006. For the nine months ended July 31, 2007, interest income increased $2.2 million to $4.8 million from $2.6 million for the nine months ended July 31, 2006. The increase in both the three months and nine months ended July 31, 2007 was attributable to higher cash balances in the fiscal 2007 periods relative to the fiscal 2006 periods.

Other Income (Expense), net

Other income (expense), net for the three months ended July 31, 2007 was expense of $4.2 million resulting primarily from the write-off of debt issuance costs of $4.8 million related to the accelerated pay-down of the Term B loan facility partially offset by income of $299,000 resulting from the net effects of currency conversion transactions, currency translation, and settlements of currency derivative transactions. For the nine months ended July 31, 2007, other expense, net was $4.4 million resulting primarily from the write-off of debt issuance costs of $4.8 million related to the accelerated pay-down of the Term B loan facility. This was partially offset by currency transaction gains less foreign currency contract losses of $177,000. Other expense, net for the three months ended July 31, 2006 of $195,000 resulted primarily from $354,000 associated with foreign currency contract losses. This was partially offset by foreign currency transaction gains of $137,000. For the nine months ended July 31, 2006, other income, net was $71,000 resulting primarily from $309,000 associated with foreign currency transaction gains and a $288,000 refund associated with an Indian customs appeal resolution. This was partially offset by foreign currency contract losses of $543,000.

Provision for (Benefit from) Income Taxes

We expect to provide for taxes in the fiscal year October 31, 2007 notwithstanding an expected loss on our consolidated statement of operations for the full fiscal year. This is because, in significant part, we had net profits in our international operations and a loss in the United States. The tax benefit of the U.S. financial reporting loss is also offset by an expected increase in the valuation allowance on U.S. deferred tax assets. The effect of these circumstances is to create a tax rate in both the three and nine months ended July 31, 2007 that is unusually high. The application of the intraperiod tax accounting rules of FIN 18 coupled with the accounting for discrete items related to the write-off of debt costs and losses at certain entities results in a computed charge for tax provision of $52.8 million and $53.2 million in the three and nine months ended July 31, 2007, respectively. For the three and nine months ended July 31, 2006, the tax provision was $9.0 million and $24.3 million, respectively. We expect to report a substantially lower tax provision for fiscal year 2007 estimated at approximately $24.7 million.

As of July 31, 2007, we have recorded deferred tax assets, net of valuation allowance on our consolidated balance sheet, the realization of which is dependent on our generating sufficient U.S. and certain foreign taxable income. Although realization is not assured, Management believes that it is more likely than not that these deferred tax assets will be realized. The amount of deferred tax assets considered realizable may increase or decrease in subsequent quarters when we reevaluate the underlying basis for our estimates of future domestic and certain foreign taxable income.

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We are currently under audit by the Internal Revenue Service ("IRS") for our fiscal years 2002 to 2004. Although we believe we have correctly provided income taxes for the years subject to audit, the IRS may adopt different interpretations. We have not yet received any final determinations with respect to this audit.

Segment Information

We are primarily structured in a geographic manner. Our Chief Executive Officer has been identified as the Chief Operating Decision Maker ("CODM") as defined by SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information.* The CODM reviews consolidated financial information on revenues and gross profit percentage for System Solutions and Services. The CODM also reviews operating expenses, certain of which are allocated to our two segments described below.

We operate in two business segments: North America and International. We define North America as the United States and Canada, and International as the countries in which we make sales outside the United States and Canada.

Net revenues and operating income of each business segment reflect net revenues generated within the segment, standard cost of System Solutions net revenues, actual cost of Services net revenues and expenses that directly benefit only that segment. Corporate net revenues and operating income (loss) reflect non-cash acquisition charges, including amortization of purchased core and developed technology assets, step-up of inventory and step-down in deferred revenue, and other Corporate charges, including inventory obsolescence and scrap at corporate distribution centers, rework, specific warranty provisions, non-standard freight, over-and-under absorption of materials management, and supply chain engineering overhead.

The following table sets forth net revenues and operating income for our segments (in thousands):

	Three Months Ended July 31,				Nine Months Ended July 31,			
	2007 (restated)	2006	Change In Dollars	Change In Percent	2007 (restated)	2006	Change In Dollars	Change In Percent
Net revenues								
International	$ 128,391	$ 62,289	$ 66,102	106%	$ 379,136	$ 181,791	$ 197,345	109%
North America	103,961	85,404	18,557	22%	288,899	243,045	45,854	19%
Corporate	(651)	(76)	(575)	757%	(3,088)	(399)	(2,689)	674%
Total net revenues	$ 231,701	$ 147,617	$ 84,084	57%	$ 664,947	$ 424,437	$ 240,510	57%
Operating income:								
International	$ 28,789	$ 16,819	$ 11,970	71%	$ 90,615	$ 45,052	$ 45,563	101%
North America	43,148	32,763	10,385	32%	113,974	94,268	19,706	21%
Corporate	(50,172)	(21,123)	(29,049)	138%	(175,957)	(62,102)	(113,855)	183%
Total operating income	$ 21,765	$ 28,459	$ (6,694)	(24)%	$ 28,632	$ 77,218	$ (48,586)	(63)%

Net revenues growth in International for the three months ended July 31, 2007 as compared to the three months ended July 31, 2006 was primarily driven by an increase of approximately $55.5 million in System Solutions and $10.6 million in Services net revenues. Net revenues growth in International for the nine months ended July 31, 2007 as compared to the nine months ended July 31, 2006 was primarily driven by an increase of approximately $161.9 million in System Solutions and $35.5 million in Services net revenues. See "Results of Operations — Net Revenues" for additional commentary.

Net revenues growth in North America for the three months ended July 31, 2007 as compared to the three months ended July 31, 2006 was primarily driven by an increase of approximately $18.5 million in System Solutions. Net revenues growth in North America for the nine months ended July 31, 2007 as compared to the nine months ended July 31, 2006 was primarily driven by an increase of approximately $46.3 million in System Solutions. See "Results of Operations — Net Revenues" for additional commentary.

The increase in International operating income for the three months ended July 31, 2007 compared to the three months ended July 31, 2006 was due to increased net revenues and gross profit as a result of both the acquisition of Lipman and organic growth, partially offset by a declining gross profit percentage and higher operating expenses. See "Results of Operations — Gross Profit" for additional commentary.

The increase in operating income for North America for the three months ended July 31, 2007 as compared to the three months ended July 31, 2006 was due to higher revenues and gross profit partially offset by declining gross profit percentage. See "Results of Operations — Gross Profit" for additional commentary. In addition, North America research and development expenses for the three months ended July 31, 2006 included $2.1 million for projects which have since been broadened in scope and will benefit customers outside the North America segment. As a result, the expenses for these projects for the three months ended July 31, 2007 are charged to Corporate.

The increase in International operating income for the nine months ended July 31, 2007 compared to the nine months ended July 31, 2006 was mainly due to increased net revenues and gross profit as a result of both the acquisition of Lipman and organic growth, partially offset by a declining gross profit percentage. See "Results of Operations — Gross Profit" for additional commentary.

The increase in operating income for North America for the nine months ended July 31, 2007 as compared to the nine months ended July 31, 2006 was mainly due to higher revenues and gross profit partially offset by a declining gross profit percentage. See "Results of Operations — Gross Profit" for additional commentary. In addition, North America research and development expenses for the nine months ended July 31, 2006 included $6.3 million for projects which have since been broadened in scope and will benefit customers outside the North America segment. As a result, the expenses for these projects for the nine months ended July 31, 2007 are charged to Corporate.

The decrease in Corporate operating income for the three months ended July 31, 2007 was primarily due to higher non-cash acquisition related charges including increases of $8.2 million of amortization of purchased core and developed technology assets, $4.3 million of amortization of purchased intangible assets and $0.6 million of amortization of step-down in deferred revenue on acquisition. In addition, stock-based compensation increased by $4.2 million. Furthermore, Corporate costs, comprised of non-cash acquisition charges, including amortization of purchased core and technology assets, step-up of inventory and step-down in deferred revenue, and other Corporate charges, including inventory obsolescence and scrap at corporate distribution centers, rework, non-standard freight, over-and-under absorption of materials management, and supply chain engineering overhead, in addition to non-cash acquisition-related charges, increased due to inventory write-downs of non-PCI compliant finished goods, partially offset by reduced air freight. Approximately $2.1 million of engineering expenses were incurred as projects which previously benefited North America in the three months ended July 31, 2006 were broadened in scope, managed by the Corporate engineering function and charged to Corporate in the three months ended July 31, 2007. Furthermore, Corporate operating expenses increased $9.2 million primarily due to the acquisitions of Lipman and PayWare and the related integration expenses.

The decrease in Corporate operating income for the nine months ended July 31, 2007 was primarily due to higher non-cash acquisition related charges including increases of $24.4 million of amortization of purchased core technology, $14.0 million of amortization of step-up in inventory on acquisition, $13.0 million of amortization of purchased core and developed technology assets, $6.7 million of in-process research and development charges, and $2.7 million of amortization of step-down in deferred revenue on acquisition. In addition, stock-based compensation increased by $18.2 million. Furthermore, Corporate supply chain costs increased due to inventory write-downs and scrap, partially offset by reduced air freight and the non-recurrence of 2006 setup charges relating to the Singapore International headquarters. Approximately $6.3 million of engineering expenses for projects which previously benefited North America in the nine months ended July 31, 2006 were broadened in scope, managed by the Corporate engineering function and charged to Corporate in the nine months ended July 31, 2007. Furthermore, Corporate operating expenses increased $30.0 million primarily due to the acquisitions of Lipman and PayWare and the related integration expenses.

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Liquidity and Capital Resources

Our primary liquidity and capital resource needs are to service our debt, finance working capital, and to make capital expenditures and investments. At July 31, 2007, our primary sources of liquidity were cash and cash equivalents of $212.9 million and our $40 million unused revolving credit facility.

Cash flow from operations before changes in working capital amounted to $33.0 million. Net loss was $52.9 million. This included charges of $85.9 million consisting primarily of acquisition-related charges of $51.6 million; stock-based compensation expense of $22.0 million; depreciation and amortization related to property, plant, and equipment, capitalized software, and debt issuance costs totaling $7.7 million; and the non-cash portion of the loss on debt extinguishment totaling $4.8 million.

Cash flow from operations due to changes in working capital netted to $51.8 million. The main drivers are as follows:

- A reduction in inventories of $48.0 million following the restatement;
- An increase in accounts receivable of $28.0 million due to higher sales;
- Increases in prepaid expenses and other current assets of $5.9 million and in other assets of $3.7 million;
- A decrease in accrued expenses and other liabilities of $15.4 million;
- A decrease in accrued compensation of $5.1 million;
- An increase in accounts payable of $19.5 million;
- An increase in deferred revenue of $10.3 million due to an increase in deferred service such as customer support and installations; and
- Increases in deferred tax liabilities of $9.4 million and income taxes payable of $39.5 million partially offset by an increase in deferred tax assets of $7.2 million and the reclassification of tax benefits from stock-based compensation of $6.9 million.

Investing activities used cash of $293.1 million. The acquisition of Lipman used cash of $263.9 million, net of cash and cash equivalents acquired. We also acquired a majority interest in VTS for cash of $4.0 million, net of cash and cash equivalents acquired. Purchases of property, plant, and equipment totaled $20.4 million, including an increase in construction in progress of $13.8 million primarily related to our migrating to a new enterprise resource planning information system, which will replace our existing system. In addition, the capitalization of software development costs were $4.5 million.

Financing activities provided cash of $334.1 million. In November 2006, we drew $305.3 million, net of costs, on our Term B loan to fund our acquisition of Lipman. In June 2007, we issued 1.375% Senior Convertible Notes (the "Senior Notes") for net proceeds of $307.9 million. We used $260.0 million of the proceeds from the Senior Notes to pay down our Term B loan in addition to other payments totaling $2.6 million against our Term B loan and other debt. In other transactions related to the Senior Notes, we used $80.2 million to purchase a hedge on the Senior Notes and received $31.2 million from the sale of warrants. We received additional proceeds of $24.5 million from the exercise of stock options and $6.9 million from the tax benefit derived from stock-based compensation.

We believe that we have the financial resources to meet our business requirements for the next twelve months, including capital expenditures, working capital requirements, and future strategic investments, and to comply with our financial covenants.

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Contractual Obligations

The following table summarizes our contractual obligations as of July 31, 2007 (in thousands):

	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Term B loan (including interest)	$ 337,677	$ 22,002	$ 42,830	$ 41,430	$ 231,415
Senior convertible notes	337,763	3,865	8,818	325,080	—
Capital lease obligation	78	10	68	—	—
Operating leases	47,024	2,642	16,566	11,982	15,834
Minimum purchase obligations	42,514	42,514	—	—	—
	$ 765,056	$ 71,033	$ 68,282	$ 378,492	$ 247,249

Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA), as adjusted

We define earnings before interest, taxes, depreciation, and amortization, or EBITDA, as adjusted, as the sum of (1) net income (loss) (excluding extraordinary items of gain or loss and any gain or loss from discontinued operations), (2) interest expense, (3) income taxes, (4) depreciation, amortization, goodwill impairment, and other non-recurring charges, (5) non-cash charges, including non-cash stock-based compensation expense and purchase accounting items, and (6) acquisition related charges and restructuring costs. EBITDA, as adjusted, is a primary component of the financial covenants to which we are subject under our Credit Facility. If we fail to maintain required levels of EBITDA, as adjusted, we could have a default under our Credit Facility, potentially resulting in an acceleration of all of our outstanding indebtedness. Management uses EBITDA, as adjusted, only in addition to and in conjunction with results presented in accordance with generally accepted accounting principles ("GAAP"). Management believes that the use of this non-GAAP financial measure, in conjunction with results presented in accordance with GAAP, helps it to evaluate our performance and to compare our current results with those for prior periods as well as with the results of other companies in our industry. Our competitors may, due to differences in capital structure and investment history, have interest, tax, depreciation, amortization, and other non-cash expenses that differ significantly from ours. Management also uses this non-GAAP financial measure in our budget and planning process. Management believes that the presentation of this non-GAAP financial measure may be useful to investors for many of the same reasons that management finds these measures useful.

Our EBITDA, as adjusted, contains limitations and should be considered as a supplement to, and not as a substitute for, or superior to, disclosures made in accordance with GAAP. EBITDA, as adjusted, may be different from EBITDA or EBITDA, as adjusted, calculated by other companies and is not based on any comprehensive set of accounting rules or principles. In addition, EBITDA, as adjusted, does not reflect all amounts and costs, such as employee stock-based compensation costs, periodic costs of assets used to generate net revenues and costs to replace those assets, cash expenditures or future requirements for capital expenditures or contractual commitments, cash requirements for working capital needs, interest expense or the cash requirements necessary to service interest or principal payments on our debt, income taxes and the related cash requirements, restructuring and impairment charges and losses from discontinued operations, associated with our results of operations as determined in accordance with GAAP. Furthermore, we expect to continue to incur expenses similar to those amounts excluded from EBITDA, as adjusted. Management compensates for these limitations by also relying on the comparable GAAP financial measure.

As noted above, management excludes the following items from EBITDA, as adjusted:

- *Provision for (benefit from) income taxes.* While income taxes are directly related to the amount of pre-tax income, they are also impacted by tax laws and the company's tax structure. As the tax laws and our tax structure are not under the control of our operational managers, management believes that the provision for (benefit from) income taxes should be excluded when evaluating our operational performance.
- *Interest expense and interest income.* While working capital supports the business, management does not believe that related interest expense or interest income is directly attributable to the operating performance of our business.

- *Depreciation of property, plant and equipment.* Management excludes depreciation because while tangible assets support the business, management does not believe the related depreciation costs are directly attributable to the operating performance of our business. In addition, depreciation may not be indicative of current or future capital expenditures.

- *Amortization of capitalized software.* Management excludes amortization of capitalized software because while capitalized software supports the business, management does not believe the related amortization costs are directly attributable to the operating performance of our business. In addition, amortization of capitalized software may not be indicative of current or future expenditures to develop software.

- *Amortization of certain acquisition related items.* We incur amortization of purchased core and developed technology assets, amortization of purchased intangible assets, amortization of step-down in deferred revenue on acquisition, and amortization of step-up in inventory on acquisition in connection with acquisitions. Management excludes these items because it does not believe these expenses are reflective of ongoing operating results in the period incurred. These amounts arise from prior acquisitions and management does not believe that they have a direct correlation to the operation of our business.

- *In-process research and development.* We incur IPR&D expenses when technological feasibility for acquired technology has not been established at the date of acquisition and no future alternative use for such technology exists. These amounts arise from prior acquisitions and management does not believe they have a direct correlation to the operation of VeriFone's business.

- *Stock-based compensation.* These expenses consist primarily of expenses for employee stock options and restricted stock units under SFAS No. 123(R). Management excludes stock-based compensation expenses from non-GAAP financial measures primarily because they are non-cash expenses which management believes are not reflective of ongoing operating results.

- *Acquisition related charges and restructuring costs.* This represents charges incurred for consulting services and other professional fees associated with acquisition related activities. These expenses also include charges related to restructuring activities, including costs associated with severance, benefits, and excess facilities. As management does not believe that these charges directly relate to the operation of our business, management believes they should be excluded when evaluating our operating performance.

- *Non-cash portion of loss on debt extinguishment.* This represents the non-cash portion of loss incurred on the extinguishment of our credit facility. While this credit facility supported our business, management does not believe the related loss on extinguishment is a cost directly attributable to the operating performance of our business.

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A reconciliation of net income (loss), the most directly comparable U.S. GAAP measure, to EBITDA, as adjusted, for the three and nine months ended July 31, 2007 and 2006 is as follows (in thousands):

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2007 (Restated)	2006	2007 (Restated)	2006
U.S. GAAP net income (loss)	$ (42,386)	$ 16,755	$ (52,883)	$ 45,585
Provision for income taxes	52,753	9,009	53,116	24,342
Interest expense	9,468	3,438	28,731	9,914
Interest income	(2,226)	(938)	(4,751)	(2,552)
Depreciation and amortization of property, plant, and equipment	2,049	881	5,814	2,532
Amortization of capitalized software	230	294	800	892
Amortization of purchased intangible assets	14,694	2,230	44,930	7,560
Amortization of step-down in deferred revenue on acquisition	652	76	3,088	399
Amortization of step-up in inventory on acquisition	—	—	13,961	—
In-process research and development	—	—	6,650	—
Stock-based compensation	5,859	1,686	21,954	3,798
Acquisition related charges and restructuring costs	2,297	—	9,714	—
Extinguishment of debt issuance costs	4,764	—	4,764	—
EBITDA as adjusted	$ 48,154	$ 33,431	$ 135,888	$ 92,470

Off-Balance Sheet Arrangements

Our only off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of the SEC's Regulation S-K, consist of interest rate cap agreements and forward foreign currency exchange agreements described under "Quantitative and Qualitative Disclosures about Market Risk." See Item 3.

Recent Accounting Pronouncements

In June 2006, FASB issued FASB Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes* — an interpretation of FASB Statement No. 109 which clarifies the accounting for uncertainty in income taxes recognized in accordance with SFAS No. 109, *Accounting for Income Taxes.* FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position. FIN 48 indicates that an enterprise shall initially recognize the financial statement effects of a tax position when it is more likely than not of being sustained on examination, based on the technical merits of the position. In addition, FIN 48 indicates that the measurement of a tax position that meets the more likely than not threshold shall consider the amounts and probabilities of the outcomes that could be realized upon ultimate settlement. This interpretation is effective for fiscal years beginning after December 15, 2006 and interim periods within those years. We are in the process of evaluating the impact of adopting FIN 48 on our consolidated results of operations, financial position, or cash flows.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108 ("SAB 108"), *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements.* SAB 108 provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of determining whether the current year's financial statements are materially misstated. SAB 108 is effective for fiscal years ending after November 15, 2006. The implementation of SAB 108 did not have a material impact on our consolidated results of operations, financial position, or cash flows.

In September 2006, FASB issued SFAS No. 157, *Fair Value Measurements.* SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The implementation of SFAS No. 157 is not expected to have a material impact on our consolidated results of operations, financial position, or cash flows.

In February 2007, FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities.* SFAS No. 159 permits entities to choose to measure financial assets and liabilities at fair value. The objective of the guidance is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years, provided the provisions of SFAS No. 157 are applied. We are evaluating SFAS No. 159 and have not yet determined the impact of the adoption, if any, it will have on our consolidated financial statements.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosure of assets and liabilities. On an on-going basis, we evaluate our critical accounting policies and estimates, including those related to revenue recognition, bad debts, income taxes, and intangible assets. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. For further information on our critical accounting policies, see the discussion of critical accounting policies in our Annual Report on Form 10-K for the fiscal year ended October 31, 2006, which was filed with the SEC on December 18, 2006.

ITEM 3. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

We are exposed to market risk related to changes in interest rates and foreign currency exchange rates. To mitigate some of these risks, we utilize derivative financial instruments to hedge these exposures. We do not use derivative financial instruments for speculative or trading purposes nor do we issue or hold leveraged derivative financial instruments.

Interest Rates

We are exposed to interest rate risk related to our debt outstanding under our Credit Facility, which bears interest based upon the three-month LIBOR rate. We have reduced our exposure to interest rate fluctuations through the purchase of interest rate caps covering a portion of our variable rate debt. In 2006, we purchased two-year interest rate caps for $118,000 with an initial notional amount of $200 million declining to $150 million after one year with an effective date of November 1, 2006 under which we will receive interest payments if the three-month LIBOR rate exceeds 6.5%. Based on effective interest rates at July 31, 2007, a 50 basis point increase in interest rates on our borrowings subject to variable interest rate fluctuations would increase our interest expense by approximately $1.2 million annually.

Foreign Currency Risk

A majority of our business consists of sales made to customers outside the United States. A substantial portion of the net revenues we receive from such sales is denominated in currencies other than the U.S. dollar. Additionally, portions of our costs of net revenues and our other operating expenses are incurred by our International operations

and denominated in local currencies. While fluctuations in the value of these net revenues, costs and expenses as measured in U.S. dollars have not materially affected our results of operations historically, we cannot assure you that adverse currency exchange rate fluctuations will not have a material impact in the future. In addition, our balance sheet reflects non-U.S. dollar denominated assets and liabilities which can be adversely affected by fluctuations in currency exchange rates. In certain periods, we have not hedged our exposure to these fluctuations.

We have entered into foreign currency forward contracts and other arrangements intended to hedge our exposure to adverse fluctuations in exchange rates. As of July 31, 2007, we had no foreign currency forward contracts outstanding. On August 1, 2007, we entered into foreign currency forward contracts with aggregate notional amounts of $33.2 million to hedge exposures to non-functional currencies. If we chose not to enter into foreign currency forward contracts to hedge against these exposures and if the hedge currencies were to devalue 5% to 10% against the U.S. dollar, results of operations would include a foreign exchange loss of approximately $1.7 million to $3.2 million.

Hedging arrangements of this sort may not always be effective to protect our results of operations against currency exchange rate fluctuations, particularly in the event of imprecise forecasts of non-U.S. denominated assets and liabilities. Accordingly, if there is an adverse movement in exchange rates, we might suffer significant losses.

Equity Price Risk

In June 2007, we sold $316.2 million aggregate principal amount of 1.375% Senior Convertible Notes due 2012 (the "Notes"). Holders may convert their Notes prior to maturity upon the occurrence of certain circumstances. Upon conversion, we would pay the holder the cash value of the applicable number of shares of VeriFone common stock, up to the principal amount of the Notes. Amounts in excess of the principal amount, if any may be paid in cash or in stock at our option. Concurrent with the issuance of the Notes, we entered into note hedge transactions and separately, warrant transactions, to reduce the potential dilution from the conversion of the Notes and to mitigate any negative effect such conversion may have on the price of our common stock.

ITEM 4. *CONTROLS AND PROCEDURES*

Evaluation of Disclosure Controls and Procedures

VeriFone maintains disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

Our management is responsible for establishing and maintaining our disclosure controls and procedures. Our CEO and CFO participated with our management in evaluating the effectiveness of our disclosure controls and procedures as of July 31, 2007.

At the time that our Quarterly Report on Form 10-Q for the three months ended July 31, 2007 was filed on September 7, 2007, our CEO and CFO concluded that our disclosure controls and procedures were effective as of July 31, 2007. Subsequent to that evaluation, our management, including our CEO and CFO, concluded that our disclosure controls and procedures were not effective at a reasonable level of assurance as of July 31, 2007 because of the material weaknesses in our internal control over financial reporting discussed below.

Notwithstanding the material weaknesses described below, we have performed additional analyses and other procedures to enable management to conclude that our consolidated financial statements as restated included in this amended report were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Based in part on these additional efforts, our Chief Executive Officer and Chief Financial Officer have included their certifications as exhibits to this Form 10-Q/A.

A material weakness is a control deficiency, or combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim

financial statements will not be prevented or detected on a timely basis. Management's assessment identified the following material weaknesses in our internal control over financial reporting as of July 31, 2007. As set forth below, management has taken or will take steps to remediate each of these material weaknesses.

- A transaction-level material weakness in the design and operation of control activities relating to the preparation, review, approval, and entry of manual, non-standard, journal entries. This material weakness contributed to adjustments in several accounts and the restatement of the interim condensed consolidated financial statements for the quarterly periods during the fiscal year ended October 31, 2007. The accounts most affected in the restatement included inventories and cost of net revenues; however, this material weakness could impact all financial statement accounts.
- An entity-level material weakness in the control environment related to our period-end financial reporting process due to an insufficient number of qualified personnel with the required proficiency to apply our accounting policies in accordance with U.S. GAAP following the November 1, 2006 acquisition of Lipman Electronic Engineering Ltd. This material weakness contributed to adjustments in several accounts and the restatement of the interim condensed consolidated financial statements for the quarterly periods during the fiscal year ended October 31, 2007. The accounts most affected in the restatement include inventories and cost of net revenues; however, this material weakness could impact all financial statement accounts, with a higher likelihood for accounts subject to non-routine or estimation processes, such as inventory reserves and income taxes.
- An entity-level material weakness in control activities related to the design and operation of our supervision, monitoring, and monthly financial statement review processes. This material weakness contributed to adjustments in several accounts and the restatement of interim condensed consolidated financial statements for the quarterly periods during the fiscal year ended October 31, 2007. The accounts most affected in the restatement include inventories and cost of net revenues; however, this material weakness could impact all financial statement accounts.
- A transaction-level material weakness in the design and operating effectiveness of controls related to income taxes. Specifically, our processes and procedures were not designed to provide for adequate and timely identification, documentation and review of various income tax calculations, reconciliations and related supporting documentation required to apply our accounting policy for income taxes in accordance with U.S. GAAP, particularly following the November 1, 2006 acquisition of Lipman Electronic Engineering Ltd. This material weakness impacted our ability to report financial information related to income tax accounts and resulted in adjustments to income tax expense, income taxes payable, deferred tax assets and liabilities, and goodwill accounts during the fiscal year ended October 31, 2007.

Management has determined that each of these control deficiencies constitutes a material weakness.

These control deficiencies gave rise to the required restatements of VeriFone's interim consolidated financial statements for the first three quarters of fiscal 2007. Additionally, notwithstanding VeriFone's remediation initiatives described below, these control deficiencies could result in additional misstatements in the aforementioned accounts that might result in a material misstatement to VeriFone's interim or annual consolidated financial statements that might not be prevented or detected.

Management's Remediation Initiatives

Following the Audit Committee independent investigation, and in response to the material weaknesses discussed above, we plan to continue the efforts already underway to review and make necessary changes to improve our internal control over financial reporting, including:

- We have enhanced our manual journal entry policy, including a more stringent manual journal entry review and approval process that requires tiered approval levels in which escalating dollar amounts require additional approval by increasingly more senior personnel;
- We migrated to a new worldwide, integrated, enterprise resource planning ("ERP") system. The new ERP system is our principal computing platform and provides for a single unified chart of accounts worldwide.

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This system was activated for the majority of our worldwide operations in the first fiscal quarter of 2008 and by the end of the second fiscal quarter of 2008 over 90% of our consolidated net revenues and cost of net revenues were processed on this system;

- We have added and expect to continue to add qualified accounting and finance personnel having sufficient knowledge and experience in general accepted accounting principles, cost accounting, tax, and management of financial systems;
- We intend to enhance our review process over the monthly financial results by requiring additional documentation and analysis to be provided that will then be reviewed by appropriate key senior personnel from both finance and non-finance areas;
- We expect to enhance the segregation of duties between the financial planning and the accounting and control functions; and
- We intend to enhance our governance and compliance functions to improve control consciousness and prevention of errors in financial reporting, as well as to improve tone, communication, education, and training for employees involved in the financial reporting process, including the appointment of a chief legal and compliance officer.

Changes in internal control over financial reporting

No change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities and Exchange Act of 1934) occurred during the three months ended July 31, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. *LEGAL PROCEEDINGS*

In the ordinary course of our business, we are subject to periodic lawsuits, investigations and claims. Although we cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against us, we do not believe that any currently pending legal proceeding to which we are a party is likely to have a material adverse effect on our business, results of operations, cash flows or financial condition.

One of our Brazilian subsidiaries has been notified of a tax assessment regarding Brazilian state value added tax, or VAT, for the periods from January 2000 to December 2001 that relates to products supplied to us by a contract manufacturer. The assessment relates to an asserted deficiency of 8.1 million Brazilian reais (approximately $4.2 million) including interest and penalties. The tax assessment was based on a clerical error in which our Brazilian subsidiary omitted the required tax exemption number on its invoices. Management does not expect that we will ultimately incur a material liability in respect of this assessment, because they believe, based in part on advice of our Brazilian tax counsel, that we are likely to prevail in the proceedings relating to this assessment. On May 25, 2005, we had an administrative hearing with the Brazilian Tax Authority with respect to this audit. Management expects to receive the decision of the administrative judges sometime in 2008. In the event we receive an adverse ruling from the administrative body, we will decide whether or not to appeal and would reexamine the determination as to whether an accrual is necessary. It is currently uncertain what impact this state tax examination may have with respect to our use of a corresponding exemption to reduce the Brazilian federal VAT.

Two of our Brazilian subsidiaries that were acquired as a part of the Lipman acquisition have been notified of assessments regarding Brazilian customs penalties that relate to alleged infractions in the importation of goods. The assessments were issued by the Federal Revenue Department in the City of Vitória and the City of São Paulo and relate to asserted deficiencies totalling 24.9 million Brazilian reais (approximately $12.5 million) excluding interest. The tax authorities allege that the structure used for the importation of goods was simulated with the objective of evading taxes levied on the importation by under invoicing the imported goods; the tax authorities allege that the simulation was created through a fraudulent interposition of parties, where the real sellers and buyers of the imported goods were hidden.

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In the Vitória tax assessment, the fines were reduced on a first level administrative decision on January 26, 2007. The proceeding has been remitted to the Taxpayers Council to adjudicate the appeal of the first level administrative decision filed by the tax authorities. We also appealed the first level administrative decision on February 26, 2007. In this appeal, we argued that the tax authorities did not have enough evidence to determine that the import transactions were indeed fraudulent and that, even if there were some irregularities in such importations, they could not be deemed to be our responsibility since all the transactions were performed by the third party importer of the goods. Management expects to receive the decision of the Taxpayers Council sometime in 2008. In the event we receive an adverse ruling from the administrative body, we will decide whether or not to appeal to the judicial level. Based on our current understanding of the underlying facts, we believe that it is probable that our Brazilian subsidiary will be required to pay some amount of fines.

On July 12, 2007, we were notified of a first administrative level decision rendered in the São Paulo tax assessment, which maintained the total fine of 20.2 million Brazilian reais (approximately $10.1 million) imposed. On August 10, 2007, we appealed the first administrative level decision to the Taxpayers Council. Based on our current understanding of the underlying facts, we believe that it is probable that our Brazilian subsidiary will be required to pay some amount of fines.

On December 11, 2006, we received a civil investigative demand from the U.S. Department of Justice regarding an investigation into our acquisition of Lipman which requests certain documents and other information, principally with respect to the companies' integration plans and communications prior to the completion of this acquisition. We are producing documents in response to this request, but cannot predict what actions, if any, will result from this investigation.

ITEM 1A. *RISK FACTORS*

The following discussion supplements and amends the risk factors previously disclosed as Item 1A in our Annual Report on Form 10-K for the year ended October 31, 2006 which are incorporated herein by reference.

Risks Related to Our Business

Although we expect that the acquisition of Lipman will result in benefits to our Company, those benefits may not occur because of integration and other challenges.

Achieving the benefits we expect from the acquisition of Lipman depends in part on our ability to integrate VeriFone's and Lipman's technology, operations and personnel in a timely and efficient manner. Although much of this integration has already occurred, some of the more complex aspects of integration will take time to complete. The challenges involved in this integration include:

- incorporating Lipman's technology and products into our next generation of products;
- integrating Lipman's technical team in Israel with our larger and more widely dispersed engineering organization;
- coordinating research and development activities to enhance introduction of new products, services and technologies;
- integrating Lipman's in-house manufacturing model with the outsource model employed by VeriFone;
- integrating Lipman's international operations with those of VeriFone; and
- persuading the employees in various jurisdictions that Lipman's business cultures are compatible with ours, maintaining employee morale and retaining key employees.

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If our operations after the acquisition do not meet the expectations of existing customers of VeriFone or Lipman, then these customers may cease doing business with the company altogether, which would harm our results of operations and financial condition.

Costs associated with the acquisition are difficult to estimate, may be higher than expected and may harm the financial results of the combined company. We will incur substantial direct expenses associated with the merger, and additional costs associated with consolidation and integration of operations. If the total costs of the acquisition exceed estimates or the benefits of the acquisition do not exceed the total costs of the acquisition, our financial results could be adversely affected.

A significant percentage of our business is executed towards the end of our fiscal quarters. This could negatively impact our business and results of operations.

Revenues recognized in our fiscal quarters tend to be back end loaded. This means that sales orders are received and revenue recognized increasingly towards the end of each fiscal quarter. This back end loading, particularly if it becomes more pronounced, could adversely affect our business and results of operations due to the following factors:

- the manufacturing processes at our internal manufacturing facility could become concentrated in a shorter time period. This concentration of manufacturing could increase labor and other manufacturing costs and negatively impact gross margins. The risk of inventory write offs could also increase if we were to hold higher inventory levels to counteract this;
- the higher concentration of orders may make it difficult to accurately forecast component requirements and, as a result, we could experience a shortage of the components needed for production, possibly delaying shipments and causing lost orders; and
- if we are unable to fill orders at the end of a quarter, shipments may be delayed. This could cause us to fail to meet our revenue and operating profit expectations for a particular quarter and could increase the fluctuation of quarterly results if shipments are delayed from one fiscal quarter to the next or orders are cancelled by customers.

We face risks related to a planned migration to a common enterprise resource planning information system to integrate all business and finance activities.

We are in the process of migrating to a new enterprise resource planning information system, which will replace our existing system. We plan to substantially integrate all of our business and finance activities into this new system by the first quarter of fiscal year 2008. Due to the size and complexity of our business, including the recent acquisition of Lipman, the conversion process will be very challenging. Any disruptions and problems that occur during the system conversion could adversely impact our ability to finish the conversion in a timely and cost effective way. Even if we do succeed, the implementation may be much more costly than we anticipated. If we are unable to successfully implement our new information system as planned, in addition to adversely impacting our financial position, results of operations and cash flows in the short and long term, it could also affect our ability to collect the information necessary to timely file our financial reports with the SEC.

A majority of our net revenues is generated outside of North America and we intend to continue to expand our operations internationally. Our results of operations could suffer if we are unable to manage our international expansion and operations effectively.

During the three months ended July 31, 2007, 56% of VeriFone's net revenues were generated outside of North America. We expect our percentage of net revenues generated outside of North America to continue to increase in the coming years. Part of our strategy is to expand our penetration in existing foreign markets and to enter new foreign markets. Our ability to penetrate some international markets may be limited due to different technical standards, protocols or product requirements. Expansion of our International business will require

significant management attention and financial resources. Our International net revenues will depend on our continued success in the following areas:

- securing commercial relationships to help establish our presence in international markets;
- hiring and training personnel capable of marketing, installing and integrating our solutions, supporting customers and managing operations in foreign countries;
- localizing our solutions to target the specific needs and preferences of foreign customers, which may differ from our traditional customer base in the United States;
- building our brand name and awareness of our services among foreign customers; and
- implementing new systems, procedures and controls to monitor our operations in new markets on a basis consistent with our domestic operations.

In addition, we are subject to risks associated with operating in foreign countries, including:

- multiple, changing and often inconsistent enforcement of laws and regulations;
- satisfying local regulatory or industry imposed security or other certification requirements;
- competition from existing market participants that may have a longer history in and greater familiarity with the foreign markets we enter;
- tariffs and trade barriers;
- laws and business practices that favor local competitors;
- fluctuations in currency exchange rates;
- extended payment terms and the ability to collect account receivables;
- economic and political instability in foreign countries;
- imposition of limitations on conversion of foreign currencies into U.S. dollars or remittance of dividends and other payments by foreign subsidiaries;
- changes in a specific country's or region's political or economic conditions; and
- greater difficulty in safeguarding intellectual property in areas such as China, Russia and Latin America.

In addition, compliance with foreign and U.S. laws and regulations that are applicable to our international operations is complex and may increase our cost of doing business in international jurisdictions and our international operations could expose us to fines and penalties if we fail to comply with these regulations. These laws and regulations include import and export requirements, U.S. laws such as the Foreign Corrupt Practices Act, and local laws prohibiting corrupt payments to governmental officials. Although we have implemented policies and procedures designed to ensure compliance with these laws, there can be no assurance that our employees, contractors and agents will not take actions in violation of our policies, particularly as we expand our operations through organic growth and acquisitions. Any such violations could subject us to civil or criminal penalties, including substantial fines or prohibitions on our ability to offer our products and services to one or more countries, and could also materially damage our reputation, our brand, our international expansion efforts, our business and our operating results. In addition, if we fail to address the challenges and risks associated with international expansion and acquisition strategy, we may encounter difficulties implementing our strategy, which could impede our growth or harm our operating results.

A diminishing portion of our gross finished goods consists of non-PCI compliant products. Due to an upcoming PCI deadline, we must successfully deplete the non-PCI inventory while transitioning customers to PCI products. Our results of operations could suffer if we are unable to manage our inventory and marketing programs to meet this objective.

The major card associations have introduced new security standards to address the growing demand for transaction security. Visa International, MasterCard International and JCB Co., Ltd. continue to cooperate on the development and release of more stringent Payment Card Industry, or PCI, specification and test methods for the certification of electronic payment systems for secure debit transactions. This new set of standards applies wherever

Visa, MasterCard, and JCB cards are accepted and must be adhered to by December 31, 2007, which means that we will largely not be able to sell non-PCI compliant products after this date. A diminishing portion of our gross finished goods consist of non-PCI compliant products. While we do not believe that we will have a material exposure, if we are not able to successfully deplete this non-PCI inventory, our financial results could be adversely affected.

We are exposed to various risks related to legal proceedings or claims that may harm our operating results or financial condition.

In the ordinary course of our business, we are subject to periodic lawsuits, investigations and claims. We cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against us.

One of our Brazilian subsidiaries has been notified of a tax assessment regarding Brazilian state value added tax, or VAT, for the periods from January 2000 to December 2001 that relates to products supplied to us by a contract manufacturer. The assessment relates to an asserted deficiency of 8.1 million Brazilian reais (approximately $4.2 million) including interest and penalties. The tax assessment was based on a clerical error in which our Brazilian subsidiary omitted the required tax exemption number on its invoices. On May 25, 2005, we had an administrative hearing with respect to this audit. Management expects to receive the decision of the administrative judges sometime in 2008. In the event we receive an adverse ruling from the administrative body, we will decide whether or not to appeal and would reexamine the determination as to whether an accrual is necessary. It is currently uncertain what impact this state tax examination may have with respect to our use of a corresponding exemption to reduce the Brazilian federal VAT.

Two of our Brazilian subsidiaries that were acquired as a part of the Lipman acquisition have been notified of assessments regarding Brazilian customs penalties that relate to alleged infractions in the importation of goods. The assessments were issued by the Federal Revenue Department in the City of Vitória and the City of São Paulo and relate to an asserted deficiency of a total 24.9 million Brazilian reais (approximately $12.5 million) excluding interest. The tax authorities allege that the structure used for the importation of goods was simulated with the objective of evading taxes levied on the importation by under invoicing the imported goods; the tax authorities allege that the simulation was created through a fraudulent interposition of parties, where the real sellers and buyers of the imported goods were hidden.

In the Vitória tax assessment, the fines were reduced on a first level administrative decision on January 26, 2007. The proceeding has been remitted to the Taxpayers Council to adjudicate the appeal of the first level administrative decision filed by the tax authorities. We also appealed the first level administrative decision on February 26, 2007. In this appeal, we argued that the tax authorities did not have enough evidence to determine that the import transactions were indeed fraudulent and that, even if there were some irregularities in such importations, they could not be deemed to be our responsibility since all the transactions were performed by the third party importer of the goods. Management expects to receive the decision of the Taxpayers Council sometime in 2008. In the event we receive an adverse ruling from the administrative body, we will decide whether or not to appeal to the judicial level. Based on our current understanding of the underlying facts, we believe that it is probable that our Brazilian subsidiary will be required to pay some amount of fines.

On July 12, 2007, we were notified of a first administrative level decision rendered in the São Paulo tax assessment, which maintained the total fine of 20.2 million Brazilian reais (approximately $10.1 million) imposed. On August 10, 2007 we appealed the first administrative level decision to the Taxpayers Council. Based on our current understanding of the underlying facts, we believe that it is probable that our Brazilian subsidiary will be required to pay some amount of fines.

On December 11, 2006, we received a civil investigative demand from the U.S. Department of Justice regarding an investigation into our acquisition of Lipman which requests certain documents and other information, principally with respect to the companies' integration plans and communications prior to the completion of this acquisition. We are producing documents in response to this request and certain current and former employees have provided information to a representative of the DOJ. We are not aware of any violations in connection with the matters that are the subject of the investigation but cannot predict what actions, if any, will result from this investigation.

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Any modification of the accounting guidelines for convertible debt could result in higher interest expense related to our convertible debt, which could materially impact our results of operations and earnings per share.

In July 2007, the Financial Accounting Standards Board ("FASB") approved the preparation of a FASB Staff Position on the accounting for convertible debt instruments with terms similar to our recently issued 1.375% Senior Convertible Notes. The FASB proposal would require us to allocate a portion of the proceeds on the debt to the embedded conversion feature, thereby creating a discount on the value stated of the debt. This discount would subsequently be amortized as interest expense over the term of the instrument resulting in an increase to our reported interest expense. This could materially impact our results of operations and earnings per share.

ITEM 2. *UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS*

Convertible Debt

On June 22, 2007, we issued $316.2 million aggregate principal amount of senior convertible notes due 2012, which includes the initial purchasers' exercise in full of their option to purchase additional notes. The offering was made in offerings through Lehman Brothers Inc. and JP Morgan Securities Inc. ("initial purchasers") to qualified institutional buyers pursuant to Section 4(2) and Rule 144A under the Securities Act of 1933, as amended. The interest rate on the notes is 1.375%.

In connection with the offering, we entered into convertible note hedge transactions with affiliates of the initial purchasers (the "counterparties") that generally are expected to reduce the potential equity dilution upon conversion of the notes, including those being sold in connection with the over allotment option. We also sold warrants to those counterparties, which could have a dilutive effect on our earnings per share. The warrants have an initial strike price of $62.356 per share which may reset, if higher, to a 70% premium over the market price of our common stock determined in approximately six months from the pricing of the offering.

The net proceeds from the offering, after deducting the initial purchasers' discounts and estimated offering expenses payable by us, were approximately $307.9 million. We applied the net proceeds from the offering after deducting the net costs of our convertible note hedge and warrant transactions to repay in part the senior secured bank debt of our principal operating subsidiary, VeriFone, Inc.

The notes are convertible, at the option of the holder, into cash and, if applicable, shares of our common stock initially at a conversion rate of 22.7190 shares per $1,000 principal amount of notes (equivalent to an initial conversion price of approximately $44.02 per share), subject to adjustment as described in the notes, at any time on or prior to the close of business on the second business day immediately preceding the maturity date only under the following circumstances:

- on any date during any fiscal quarter beginning after October 31, 2007 (and only during such fiscal quarter) if the closing sale price of our common stock was more than 130% of the then current conversion price for at least 20 trading days in the period of the 30 consecutive trading days ending on the last trading day of the previous fiscal quarter;
- at any time on or after March 15, 2012;
- if we distribute to all holders of our common stock rights or warrants (other than pursuant to a rights plan) entitling them to purchase, for a period of 45 calendar days or less, shares of our common stock at a price less than the average closing sale price for the ten trading days preceding the declaration date for such distribution;
- if we distribute to all holders of our common stock, cash or other assets, debt securities or rights to purchase our securities (other than pursuant to a rights plan), which distribution has a per share value exceeding 10% of the closing sale price of our common stock on the trading day preceding the declaration date for such distribution;
- during a specified period if certain types of fundamental changes occur; or

- during the five business-day period following any five consecutive trading-day period in which the average trading price for the notes was less than 98% of the average of the closing sale price of our common stock for each day during such five trading-day period multiplied by the then current conversion rate.

Upon conversion, we will deliver cash and shares of our common stock, if applicable, based on a daily conversion value calculated as described in the notes.

ITEM 3. *DEFAULTS UPON SENIOR SECURITIES*

None

ITEM 4. *SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS*

None

ITEM 5. *OTHER INFORMATION*

None

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ITEM 6. *EXHIBITS*

Exhibits

The following documents are filed as Exhibits to this report:

Exhibit Number	Description
4.1	Indenture related to the 1.375% Senior Convertible Notes due 2012, dated as of June 22, 2007, between VeriFone Holdings, Inc. and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 4.1 to the registrant's current Report on Form 8-K filed June 22, 2007).
4.2	Registration Rights Agreement, dated as of June 22, 2007, between VeriFone Holdings, Inc. and Lehman Brothers Inc. and J.P. Morgan Securities Inc. (incorporated herein by reference to Exhibit 4.2 to the registrant's current Report on Form 8-K filed June 22, 2007).
10.1	Confirmation of Convertible Note Hedge Transaction, dated June 18, 2007, by and between VeriFone Holdings, Inc. and Lehman Brothers OTC Derivatives Inc. (incorporated herein by reference to Exhibit 10.1 to the registrant's current Report on Form 8-K filed June 22, 2007).
10.2	Confirmation of Convertible Note Hedge Transaction, dated June 18, 2007, by and between VeriFone Holdings, Inc. and JPMorgan Chase Bank, National Association, London Branch (incorporated herein by reference to Exhibit 10.2 to the registrant's current Report on Form 8-K filed June 22, 2007).
10.3	Confirmation of Warrant Transaction, dated June 18, 2007, by and between VeriFone Holdings, Inc. and Lehman Brothers OTC Derivatives Inc. (incorporated herein by reference to Exhibit 10.3 to the registrant's current Report on Form 8-K filed June 22, 2007).
10.4	Confirmation of Warrant Transaction, dated June 18, 2007, by and between VeriFone Holdings, Inc. and JPMorgan Chase Bank, National Association, London Branch (incorporated herein by reference to Exhibit 10.4 to the registrant's current Report on Form 8-K filed June 22, 2007).
10.5	Amendment to Confirmation of Warrant Transaction, dated June 21, 2007, by and between VeriFone Holdings, Inc. and Lehman Brothers OTC Derivatives Inc. (incorporated herein by reference to Exhibit 10.5 to the registrant's current Report on Form 8-K filed June 22, 2007).
10.6	Amendment to Confirmation of Warrant Transaction, dated June 21, 2007, by and between VeriFone Holdings, Inc. and JPMorgan Chase Bank, National Association, London Branch (incorporated herein by reference to Exhibit 10.6 to the registrant's current Report on Form 8-K filed June 22, 2007).
31.1	Certification of the Chief Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and the Chief Financial Officer as required by Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this amended report to be signed on its behalf by the undersigned thereunto duly authorized.

VERIFONE HOLDINGS, INC.

By: /s/ Douglas G. Bergeron
Douglas G. Bergeron
Chief Executive Officer

By: /s/ Barry Zwarenstein
Barry Zwarenstein
Executive Vice President and
Chief Financial Officer

Date: August 19, 2008

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EXHIBIT INDEX

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4.1	Indenture related to the 1.375% Senior Convertible Notes due 2012, dated as of June 22, 2007, between VeriFone Holdings, Inc. and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 4.1 to the registrant's current Report on Form 8-K filed June 22, 2007).
4.2	Registration Rights Agreement, dated as of June 22, 2007, between VeriFone Holdings, Inc. and Lehman Brothers Inc. and J.P. Morgan Securities Inc. (incorporated herein by reference to Exhibit 4.2 to the registrant's current Report on Form 8-K filed June 22, 2007).
10.1	Confirmation of Convertible Note Hedge Transaction, dated June 18, 2007, by and between VeriFone Holdings, Inc. and Lehman Brothers OTC Derivatives Inc. (incorporated herein by reference to Exhibit 10.1 to the registrant's current Report on Form 8-K filed June 22, 2007).
10.2	Confirmation of Convertible Note Hedge Transaction, dated June 18, 2007, by and between VeriFone Holdings, Inc. and JPMorgan Chase Bank, National Association, London Branch (incorporated herein by reference to Exhibit 10.2 to the registrant's current Report on Form 8-K filed June 22, 2007).
10.3	Confirmation of Warrant Transaction, dated June 18, 2007, by and between VeriFone Holdings, Inc. and Lehman Brothers OTC Derivatives Inc. (incorporated herein by reference to Exhibit 10.3 to the registrant's current Report on Form 8-K filed June 22, 2007).
10.4	Confirmation of Warrant Transaction, dated June 18, 2007, by and between VeriFone Holdings, Inc. and JPMorgan Chase Bank, National Association, London Branch (incorporated herein by reference to Exhibit 10.4 to the registrant's current Report on Form 8-K filed June 22, 2007).
10.5	Amendment to Confirmation of Warrant Transaction, dated June 21, 2007, by and between VeriFone Holdings, Inc. and Lehman Brothers OTC Derivatives Inc. (incorporated herein by reference to Exhibit 10.5 to the registrant's current Report on Form 8-K filed June 22, 2007).
10.6	Amendment to Confirmation of Warrant Transaction, dated June 21, 2007, by and between VeriFone Holdings, Inc. and JPMorgan Chase Bank, National Association, London Branch (incorporated herein by reference to Exhibit 10.6 to the registrant's current Report on Form 8-K filed June 22, 2007).
31.1	Certification of the Chief Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and the Chief Financial Officer as required by Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.1

CERTIFICATION

I, Douglas G. Bergeron, Chief Executive Officer of VeriFone Holdings, Inc., certify that:

1. I have reviewed this amended quarterly report on Form 10-Q/A of VeriFone Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Douglas G. Bergeron
Douglas G. Bergeron
Chief Executive Officer

Date: August 19, 2008

Exhibit 31.2

CERTIFICATION

I, Barry Zwarenstein, Chief Financial Officer of VeriFone Holdings, Inc., certify that:

1. I have reviewed this amended quarterly report on Form 10-Q/A of VeriFone Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Barry Zwarenstein
Barry Zwarenstein
Executive Vice President and Chief Financial Officer

Date: August 19, 2008

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.**

I, Douglas G. Bergeron, Chief Executive Officer, and I, Barry Zwarenstein, Chief Financial Officer, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the amended report of VeriFone Holdings, Inc. (the "Company") on Form 10-Q/A for the quarterly period ended July 31, 2007 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Douglas G. Bergeron
Douglas G. Bergeron
Chief Executive Officer

By: /s/ Barry Zwarenstein
Barry Zwarenstein
Executive Vice President and Chief Financial Officer

Date: August 19, 2008

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.